

The background features a complex, glowing network of yellow and orange lines resembling a circuit board or data flow, set against a dark blue and black background. This network is overlaid on large, overlapping geometric shapes in red, light blue, and dark blue. The overall aesthetic is high-tech and digital.

# SYSTEX

SYSTEX CORPORATION

# 2019 ANNUAL REPORT

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Market Observation Post System: <http://mops.twse.com.tw>

Company Website: <http://www.systemex.com>

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# I. Letter to Shareholders

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Dear Shareholders,

## I. Foreword

Taking “Enabling DX with AI, AI for Digital Transformation” as the focus of development for 2019, the SYSTEX Group helped its corporate clients use real-world AI applications to strengthen operation efficiency and improve marketing performance. As consumer experience and business models continue to evolve, companies and organizations are putting more and more investment into digital transformation. SYSTEX has successfully seized this business opportunity, becoming a partner for strategic growth for clients undergoing digital transformation at various stages. While there have been challenges in the process, the right strategies and the joint efforts of the management team and staff has allowed SYSTEX’s business volume to grow consistently in 2019, reaching historic highs.

## II. Summary of 2019 Operational Outcomes

In 2019, SYSTEX achieved an operating revenue of NT\$ (same below) 6,569,020,000, a 3% increase from 2018. Our net income after tax in 2019 was \$1,808,042,000. The consolidated revenue in 2019 was \$22,051,023,000, an increase of 13% from 2018. The consolidated net income after tax in 2019 (excluding non-controlling equities) was \$1,808,042,000 and earnings per share was \$7.31.

## III. Summary of 2019 Business Operations and Services

Under the main tenant of “AI for Digital Transformation,” SYSTEX invested resources in the following three directions, which has manifested in the operational outcome for 2019:

### ■ Assist companies in the development of cloud services and applications

Provides customers with consulting, planning, and deployment services on everything from cloud implementation, cloud usage, cloud management, to cloud protection. This includes services like cloud-based financial management platforms, cross-border heterogeneous platform data integration for Taiwanese companies who were prompted to implement digital transformation because of the US-China trade war, and cloud-based e-commerce platform subscription. The consulting, planning, and sales services authorized for our major Microsoft clients continued to do well in China, Hong Kong, and Taiwan, even winning Microsoft’s “Country Partner of the Year” award. We have also acquired a technical team skilled in AI and cloud-based technology to establish SYSTEX’s own AI-hybrid cloud service platform, which has been adopted by large companies in telecommunications and finance.

### ■ 5A crossover software pushing AI for digital transformation

The “5A” stands for AP, API, App, Appliance, and Algorithm, which are the basics of SYSTEX’s core capability for corporate digital transformation. To help clients use AI for digital transformation, SYSTEX has actively trained professional talents in 5A to help clients with real-world AI applications. For example, we have helped the finance industry establish consulting services such as personalized financial investment data analysis integration and financial product evaluation and recommendation; collaborated with the aviation industry and retail industry to launch the LINE@Smart Reservation Bot to provide 24-hour service; used AI facial recognition technology and deep learning algorithms to help the manufacturing industry move towards smart manufacturing. In addition, the implementation of smart operations, smart war room intelligence, and smart

# I. Letter to Shareholders

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cyber security also provide SYSTEX room for growth.

## ■ Consolidate and expand the ecosystem to create win-win opportunities

SYSTEX has partnered with startup ecosystem to leverage the advantages of both parties and expand market opportunities. For example, we have: Worked with AIWin Technology, who possesses 100% in-house-developed AI image recognition technology, to enter the field of AI optical inspection applications in the process of golf manufacturing ; Consolidated the strengths of solutions from various original manufacturers to address customers' needs with comprehensive one-stop services, not only creating opportunities for the original manufacturers, but also making us a trusted strategic partner for enterprises; Consolidate financial/retail/payment channels to provide innovative applications such as helping major banks to connect with e-commerce institutions to set up mobile transaction, bills collection, and donation functions.

## IV. The effect of external competition, the legal environment, and the overall business environment

The COVID-19 pandemic broke out in Wuhan, China, at the end of 2019, greatly impacting global supply chains. Transportation and tourism industries suffered the most direct hit, and consumer's willingness to spend was also impacted. As a result, there are many variables in this year's economic development. However, the raging pandemic has created a surge in demand for remote working, electronic signature, online education, and remote healthcare, which has the potential to speed up economic growth for cloud technologies. The wave of Taiwanese businesses in China returning to Taiwan triggered by the US-China trade war has also created business opportunities in cross-border smart factory construction and digital transformation. War room applications and data collection management will become necessary tools for companies to facilitate their global strategies. In addition, the FSC has announced its 2020 FinTech policy focus, which includes setting up digital accounts for minors, rolling out insurance blockchain, and opening online-only banks in the latter half of the year, prompting the finance industry to invest in digital transformation. Uncertainty in the overall environment brings forth many challenges, but also creates ample opportunities for growth.

## V. The summary of the business plan for 2020

The global market is fickle. Companies must keep making crossover connections and boldly embrace innovation to adapt to potential drastic changes. To help our clients respond flexibly, SYSTEX will position itself through ecosystem integration (Xi) in 2020, playing the role of 'orchestrator' as it understands the new technological structures and applications needed in the new economic era and makes crossover connections with ecosystem partners to help companies create a second wave of exponential growth. The following is an overview of this year's strategic focus :

## ■ Make ecosystem crossovers to help clients respond flexibly

From system integration to ecosystem integration (Xi), SYSTEX will put more emphasis on situational applications, experience design, scene interaction, and data integration, not only continuing our work on vertical smart service applications for industries, but also expand horizontally to food, clothing, housing, transportation, education, and entertainment industries to extend and expand the new market ecosystem. SYSTEX will continue to plan strategic comprehensive investments, obtain agency/dealership for international

# I. Letter to Shareholders

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AI products and services, connect with our customers, partners, and markets, expand into a more comprehensive software and data ecosystem, magnify the strength of cooperation, and find innovative applications that can be implemented so that our customers can adapt to the changing market with ease.

## ■ Enhance marketing and the market for 5A@4C core capabilities

SYSTEX will continue to perform data integration through 5A (AP, APP, API, Appliance, Algorithm) crossover software, providing cloud implementation, cloud usage, cloud management, and cloud protection application and management systems under a hybrid-cloud structure. We will also use machine learning to gradually accumulate data intelligence, help industries implement AI, set up platform services that can be experienced, explored, applied and interacted with, and create brand new business models and customer experiences to expand both marketing and the market.

## ■ Invest in software and data ecosystem

Strength in software and data are the prerequisites of marketing strength in the new economy. We will utilize our organization and talented professionals to strengthen our software and data capabilities, set up data integration platforms with our software capabilities, create accumulated value of data with our data capabilities, and help customers understand consumer behavioral patterns through online and offline data integration in a cloud-based environment, allowing them to deliver precise marketing and services, and bolster marketing strength.

## VI. Future development strategy

SYSTEX aims to redefine information services. With its positioning of “ecosystem integration,” we will continue to cultivate and make connections with talents who familiar with exponential technology, playing the role of “orchestrator” to help customers speed up “digital transformation” in the era of data economy, create a second wave of growth, and become an “exponential company.”

Chairman	Huang, Tsong-Jen
President	Lin, Lung-Fen

## II. Company Profile

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2.1 Date of Incorporation: January 7, 1997.

### 2.2 Company History

- In 2001      Became exclusive distributor for the Found Scan Internet security scan service manufactured by renowned US information security service company Foundstone.  
Launched the Security Operations Center (SOC) to provide Managed Security Services (MSS).  
Systex acquired Ching-Chi and officially entered the finance and mobile commerce sectors.
- In 2002      Launched the Money Market System (MMS) securities and bonds transaction management system.  
Launched the newly updated "Finance Workshop" Internet DynaQuote (iDQ).  
Launched the mobile phone version of "Mobile Winner" finance services.  
Launched Taiwan's first "M-Loan Smart system for Mobile Bank Operations."  
Systex's SOC received Check Point MSP certification.  
Hosted the "Ultimate Hacking Seminar."  
Received the 2002 Software Industry Benchmark Enterprise Award from Commonwealth Magazine.  
Received the 2002 MIS Best Choice Award from the Institute for Information Industry as best outsourced information security service provider.
- In 2003      Systex stocks are listed on the OTC market under stock code 6214.  
Acquired distribution rights for Nokia's complete series of Internet security equipment.  
Launched Taiwan's first interest rate exchange system denominated in NTD - the "Income Winner."  
Became the exclusive distributor for the financial Internet order placement system with the highest market share in Korea "Road to the Future" (RTF).  
The interest rate and futures version of Income Winner was launched and its official trading preceded the bond futures by two months.  
Taiwan's first roadside parking Internet payment system was launched in Taoyuan County.  
Became exclusive distributor for the AirDefense wireless Internet security equipment in the Asia Pacific Region.  
Received the 2003 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider.
- In 2004      Launched Taiwan's first cross-strait Convertible Bond Pricing Analysis (CBPA).  
Acquired 100% of shares in Ucom through stock conversion.  
Hosted the "2004 Infosec Information Security Summit" across Mainland China, Taiwan, Hong Kong, and the Asia Pacific Region.  
Obtained distribution rights for Softnext Technologies' "Spam SQR Mail Filter and Management Platform" in Taiwan and China.  
Hosted the "2004 Fannie Mae Asset Securitization Summit" in Taipei and Shanghai.  
Security Operations Center (SOC) received BS7799 certification.  
Systex OSC consulting services launched outsourced management services for Oracle ERP systems.  
Became the largest enterprise performance strategy and management consultant service partner in Asia Pacific for the world's largest business process management (BPM) brand Hyperion.  
Received the 2004 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider for the third consecutive year.
- In 2005      Merged with the most professional domestic information education training company - Ucom Co., Ltd. on January 1, the baseline date of the merger.  
Merged with the leading securities and bonds company in the domestic software market - Yu-Lung Co., Ltd. on June 1, the baseline date of the merger.



## II. Company Profile

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- Acquired distribution rights for the Radware smart application switch solution in Taiwan.  
Acquired distribution rights for the CP Secure Internet anti-virus solution.  
Acquired exclusive distribution rights for the Business Objects (BO) Crystal Reports software in Taiwan.
- In 2006 The shareholders' meeting held on June 15 passed the merger with Ching-Yeh Co., Ltd., and Systex was the surviving company. The baseline date of the merger is January 1, 2007.  
Acquired the Business Intelligence (BI) team to integrate its capabilities in professional consulting and product sales, and to enter into the market for commercial intelligent software services.  
Collaborated with MAN Financial (world's largest derivatives broker) in the development of international quotation and transaction services for futures and options. Launched two electronic transaction systems including SGTP (web version) and GPM (AP version).  
Acquired exclusive distribution rights for world leading Business Intelligence (BI) software company Cognos.
- In 2007 Acquired distribution rights for ArcSight in multiple nations throughout the Asia Pacific.  
Became Taiwan's first model company for the management and regulation of intellectual property by passing the TIPS certification.  
Acquired Taiwan Electronic Data Processing Corporation to formally enter the medical information sector as both companies create opportunities in the Asia Pacific medical information service market.  
Collaborated with Farglory Land Development in the creation of the first "Farglory U-City Digital Service Platform" in Taiwan to help Farglory Land Development provide residents with all-new digitized lifestyle convenience.  
Selected as "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan."  
Formed a strategic alliance with CA as exclusive distributor for its entire IT management software product line.
- In 2008 Merged with Da-Shih Technology Co., Ltd. on January 1, the baseline date of the merger.  
Announced a strategic alliance with Splunk to acquire distribution rights for its enterprise grade IT search engine in the Asia Pacific Region.  
Acquired distribution rights for the high-level institutional financial electronic transaction solution of RTS Realtime Systems Group of Germany as the only distributor partner in Greater China.  
Acquired distribution rights for the BPM solution of internationally renowned business process management (BPM) software provider Ascentn AgilePoint.  
Launched "Money Link [www.money-link.com.tw](http://www.money-link.com.tw)," the only professional finance portal that integrated Taichung Port financial information.  
Invested in Wealth Group and formally entered the media content industry.  
Became Taiwan's first company to acquire the business continuity management standard (BS25999-2: 2007) certification and became one of the first 20 businesses to acquire the certification.  
The "Systex Advanced Software Development and Integration Methodology" was awarded "Manufacturing Process Innovation" by the Ministry of Economic Affairs in 2008.  
Awarded the Enterprise Group Award in the "2008 Human Resource Innovation Awards" by the Council of Labor Affairs, Executive Yuan.  
Awarded the "2008 Industrial Excellence Award" by the Industrial Development Bureau, Ministry of Economic Affairs.  
Obtained "Capability Maturity Model Integration Level 3" certification and became the only local enterprise with multiple sites for software development in Greater China.

## II. Company Profile

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- In 2009
- Created Taiwan's first smart analysis and prediction platform "First Winner" that offered research results and predictions on individual stocks of all major securities firms.
  - Launched the first domestic research database monitoring system Systex DB Watch, which provides corporate databases with comprehensive protection.
  - Acquired distribution rights for Tripwire's information change and auditing management solutions.
  - Became the first provider of total solutions with the "Warrant Information Platform" and optimal market maker of the warrants market.
  - The information security team and Kainan University forged academic-industrial collaboration and assisted the "Department of Information & Electronic Commerce" in establishing the "Information Security Laboratory."
  - Collaborated with Samsung Anycall on its official website and provided the "Stock Market Pocket App" download service.
  - Awarded "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan" and maintained its position as the local information service company with the most PMPs.
  - Awarded "Annual Digitized Education Material Quality Advancement Prize"; "Western Painting Analysis" education material received the highest AAA certification.
- In 2010
- Collaborated with VMware in providing professional cloud technology consulting services for enterprises and became the first company in Mainland China, Taiwan, and Hong Kong to obtain VMware cloud service certification.
  - UCOM Information Technology Education Center was awarded the "Best Red Hat Training Center" in Greater China.
  - Collaborated with Shenzhen Forms Syntron Information and acquired 30% of its shares for entry into the outsourced financial service in China.
  - Acquired 98.93% of shares in system integrator Taifon Computer Co., Ltd. which became a subsidiary of the Company.
  - Systemex subsidiary Taiwan Electronic Data Processing Corporation and U.S. Company Rimage established the joint venture Rimage Information Technology (Shanghai) Co., Ltd. to develop the healthcare market in China.
  - Established the CAS Systemex Corporation with the Institute of Computing Technology, Chinese Academy of Sciences. This was the first collaboration between a Mainland Chinese government research institute and Taiwanese company as the two parties worked together to forge the next generation of financial information platforms for the financial information market in China.
  - Systemex transferred its listing from the OTC market to the TWSE market; stocks began to be officially traded on December 30.
- In 2011
- Established the "Microsoft Customer Immersion Experience Center" to provide corporate clients with a full demonstration of the benefits of Microsoft's integrated corporate productivity platform solution.
  - Formed a strategic partnership with GRG Banking, the leading ATM manufacturer in China, and acquired distribution rights for GRG Banking's ATMs in Taiwan.
  - Collaborated with international innovation software development company Splunk in establishing the Splunk Innovation Center.
  - Invested in Systemweb Technology to formulate one-stop services for financial asset management.
  - Became exclusive distributor for Veloxum's virtual reality performance optimization solution, which provides companies with "active and continuous optimization" technologies and increases server performance by at least 50%.
  - Became Fujitsu's first licensed corporate IT product distributor in Taiwan and distributed ROR

## II. Company Profile

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cloud-based management software, servers, and storage facilities.

Awarded "Enterprise Project Management Benchmarking Award" and "Best Practice on Project Management Award" by the International Project Management Association.

Conducted simplified merger with subsidiaries Ching-Ho Information Co., Ltd. and Ching-Feng Information Co., Ltd.; the baseline date of the merger was June 1.

In 2012 The Information Management and Integration Service Department led the industry in acquiring Taiwan's first British Standards Institution (BSI) BS 10012 Personal Information Management System certification.

Acquired distribution rights for the MobileIron mobile application security solution.

Became the first Managed Mobility Services (MMS) partner certified by SAP.

Became exclusive distributor for BlueCat Networks IP management solution, which helps enterprises painlessly integrate IPv4 and IPv6 and manage IP with ease.

Developed the mobile payment market by acquiring 100% of shares in Nexsys Corporation.

The Etu innovative big data platform product Etu Appliance was awarded the 2012 TAITRONICS Technology Innovation Quality Award.

System's own brand Etu Appliance was awarded "Excellent Information Application and Product Award" in the 2012 IT Month and was the first big data processing platform to win the IT Month selection.

System became the only company in the IT service industry to receive the "Enterprise Employment of Disabled Individual Exceeding Required Amount Certification" issued by the Bureau of Labor of Taipei City Government.

Following System's collaboration with international big data firm Splunk in establishing the first Splunk Lab in Asia Pacific, the parties worked together again in establishing the first "Licensed Splunk Training Center" in Greater China.

System became Apple's authorized corporate distributor and acquired the complete series of products from the global mobile device leader to provide enterprises with one-stop software and hardware services.

In 2013 System's UCOM Information Technology Education Center became the exclusive distributor for all international information security certification courses offered by EC-Council.

System's own brand Etu was recognized by the Chinese media as the "Big Data Innovation Enterprise in 2012" and was the only original big data solution brand from Asia.

Syspower Corporation of System Group established a distribution agreement with Yonyou Network, the largest management software company in China, for exclusive distribution rights in Taiwan's finance sector so as to forge definitive advantages for Taiwanese finance businesses in the Mainland China market.

Etu received the "2013 Big Data Excellent Product Award" in China, the sixth award since its launch.

System Software & Service Corporation of System Group became authorized reseller of Microsoft Surface for Business and teams up with Microsoft to develop the tablet market.

Etu Recommender received the highest honor of Golden Award at the 2013 IT Month against hundreds of innovative new products. System became the only company who won awards at IT Month with different big data products in two consecutive years.

In 2014 System provided exclusive sponsorship for Taiwan's first "information science program" as Etu joined forces with Code for Tomorrow to form Taiwan's first formal data science program team in.

System allied with global application network technology leader A10 Networks to provide comprehensive corporate network information security products.

## II. Company Profile

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System teamed up with Amiya, a Japanese company that specializes in corporate information security and audit management, to embrace the dynamic and high-security network and IT management services for "concurrent backup with 4G and cable transmission" made possible through 4G transmission.

Syspower Corporation of Systex Group teamed up with international Business Intelligence (BI) firm Qlik to train big data management talent and established the first "Qlik Authorized Training Center" in Taiwan.

UCOM Information Technology Education Center of Systex Group partnered with Cloudera, leading provider of Hadoop solutions for analyzing big data, and introduced Hadoop training courses.

Systex worked with global data visualization leader Tableau to provide visualization analysis solutions.

In 2015 Systex and Chunghwa Telecom joined forces in the development of the corporate information security product "EyeQuila," which became a leading product on the market.

Systex established the App Center and Mobile Creativity Incubation Center in Taichung.

Systex Software & Service Corporation of Systex Group teamed up with Gridow for development of the evPlay corporate cloud video service.

Systex teamed up with Sunlight Technology, China's largest smart hotel cloud service platform, to build a brand new hotel cloud service platform for hotels with four or more stars.

Systex launched the "securities online account opening platform," Taiwan's first online securities account opening solution that integrated "video certification" and "CA certification."

In 2016 UCOM Information Technology Education Center launched the Amazon Web Services (AWS) series courses and became Taiwan's only AWS authorized training center.

Systex subsidiary Medincom Technology launched the "External Hospital Information Upload Workstation" to simplify the procedures for integrating information between hospitals, effectively reducing 80% of tasks previously required for importing images from external hospitals.

Systex launched the "FundRich Securities" fund platform which became Taiwan's first successful real-world FinTech application.

Systex partnered with Far Eastern Group to construct an O2O retail ecosphere and launched the "Market Shopping" platform on the friDay Wallet app.

Systex Software & Service Corporation of Systex Group maintained its leading position in providing Microsoft services to large corporate clients; the Company won the Microsoft Partner Hero Award for the 12th consecutive year.

In 2017 Invested in FinTech startup company INSTO.

Invested in Gemini Data for US and global business expansion.

Developed NLP (Neuro Linguistic Programming) technology, and applied in customer service for financial industry.

Awarded the 4th "Taiwan Mittelstand Award" held by the Taiwan Ministry of Economy Affairs.

Offering e-gift certificate service to realize O2O operation.

In 2018 Invested in FinRobo Advisor Securities Investment Consulting Co., Ltd. to expand FinTech product services.

Strategic cooperated with SenseTime, IFLYTEK, MS, IBM to bring AI related technology into Taiwan market to develop industry applications locally.

Kick off "AI+ Generator" Program to engage outstanding AI startups with enterprise to prove of solution concept in early stage of go-to-market.

Invested in Shengsen Corp. and Forg-jump Information Co., Ltd. for expanding the human outsourcing team.

## II. Company Profile

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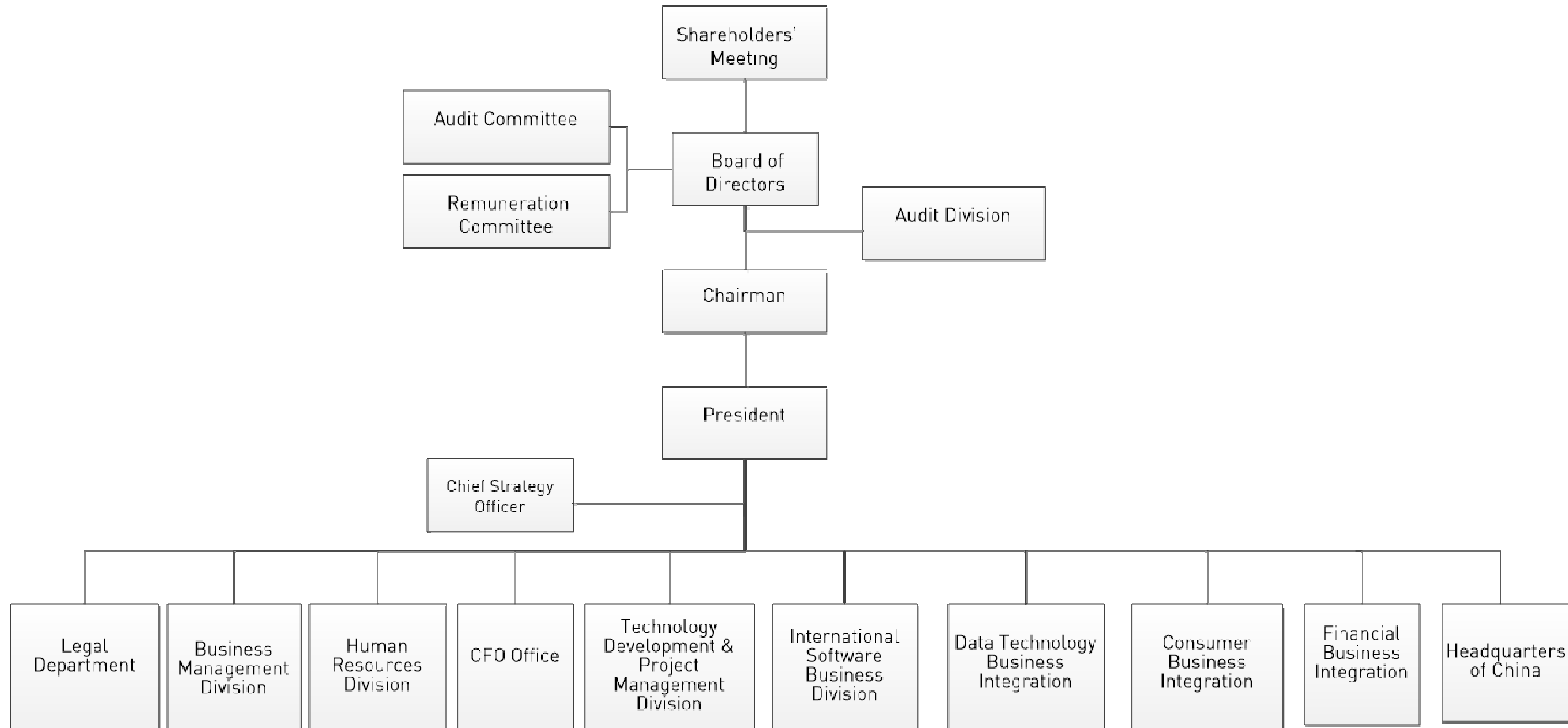
- Invested in Retail System Co., Ltd.
- Invested in Dawning Technology Inc. for expanding product agent portfolio and integrating marketing channels.
- Concord System Management Corp. of Systex Group invested in Top Information Technologies Co., Ltd. to 98.59%
- In 2019
- Syspower Corp., a subsidiary of SYSTEX, has released the world's first "Sarcopenia intelligent pre-screen system" with standard medical image transmission to create a long-term and elderly care environment.
  - SYSTEX was crowned the "Happiness Enterprise" in IT industry category by 1111 Job Bank.
  - Exclusive agent for the Knowtions Lydia AI platform solutions which can make predictions on insurance fraudulent behaviors by building people profiles and learning healthcare behaviors.
  - Systex Software & Service Corp. won Microsoft's 2019 Taiwan Partner of the Year Award.
  - SYSTEX Independently Developed NLP Combining with RPA and OCR to Build Intellectual Fintech Robot "Robelf"
  - Syspower Corp. announced an AI-driven cloud system to create seamless and integrated smart medical services from home to hospital.
  - Syspower Corp. and Taichung Veterans General Hospital released the first "OSCE Clinical Skills Test Online Evaluation System" in Taiwan, which comprehensively promotes the standardization of evaluation in all job categories for medical care industry.
  - Invested in Fuco Technology Co., Ltd.
  - Invested in Aiwin Technology Co., Ltd.
  - Invested in Neweb Information Co., Ltd. to integrate IT services ecosystem.
  - Enlisted the team of Zechster Information Technology Co., Ltd.
- In 2020
- Donated the scholarship of NT\$3 million to National Taiwan Normal University.
  - Invested in E-service Information Co. to nearly 60%

# III. Corporate Governance

## 3.1 Organization

### 3.1.1 Organizational Chart

As of April 1, 2020



## III. Corporate Governance

### 3.1.2 Major Corporate Functions

Department	Functions
Audit Division	Audit Division conducts independent and objective assessment of the effectiveness of the Company's internal control system, follows up on improvement of irregularities, reviews the self-assessment procedures in the internal control system, and reasonably ensures compliance with company policies and regulations.
Legal Department	Legal Department is responsible for reviewing various commercial contracts, providing recommendations and control items for contract formulation/amendment, processing litigation/non-litigation, managing intellectual property rights affairs, providing the management team and managerial officers with necessary legal consultation, and conducting training on related legal knowledge.
Business Management Division	Business Management Division is responsible for related services in support of commercial operations including: trading, procurement, material control and warehousing, accounts, sales support, planning and execution of information procedures, and establishment of finance related information systems. It also supervises receivables in sales, inventory, daily tasks in shipment preparation and borrowing, and risk management of material and irregular transactions. The Commerce Department also supports the strategic plans, performance management and follow-up, investment performance analysis, public relations, and marketing events for the entire Group.
Human Resources Division	Human Resources Division is responsible for planning human resource policies, regulations, and operating procedures including: human resources planning, organizational design and planning, recruitment and appointment, training and development, salary and benefits, performance management, promotion of employee relations and corporate culture etc. It is also responsible for the supervision of departments that oversee human resource management in affiliate enterprises as well as the planning and management of property security, cleaning, catering, electrical and mechanical appliances, air conditioning, machinery and equipment, and telecommunications systems.
CFO Office	CFO Office is responsible for financial accounting, management accounting, budget planning, investment management, fund management, Board of Directors meetings, shareholder services, and ensuring compliance with regulations stipulated by competent authorities. The CFO Office is also in charge of supervising the financial accounting departments of domestic and overseas business units for the purpose of establishing a consistent domestic and overseas financial accounting management system and institution.
Technology Development & Project Management Division	Responsible for the development, promotion, and human resource training of advanced technology, including: Multicloud microservice, AI, IoT, and FinTech, training technicians to pass OEM certification and obtain OEM sales partner qualifications; Project performance and management, monitoring and resolution of major abnormal projects, professional support for major strategic projects, outsource supplier management, external software human resource pool and ecosystem setup, research and development cycle maintenance and promotion;

### III. Corporate Governance

Department	Functions
	Responsible for installation and maintenance of all information systems within the Group, including application systems, mobile app, Internet service, digital communication, and information security architecture. It also supports the discussion of the needs of business and financial processes.
International Software Business Division	International Software Business Division is responsible for analysis of international information service trends, participation in international marketing activities, introduction of international products, cooperation and investment of domestic and foreign start-up companies, assistance in the commercialization and internationalization of solutions within the Group 's business units, and promotion to Southeast Asia, Japan, Europe and the United States.
Data Technology Business Integration (Note 1)	<p>Data Technology Business Integration continues to operate in the digital ecosphere and serves as agent/distributor of world-class DT software/hardware product combinations and solutions.</p> <p>It also provides end-to-end solutions required for clients' business operations through added-value services, thus helping companies use innovative applications for advancing digital transformation and increasing company profits. The Digital Technology Business Unit uses the latest technologies to connect to the world and develops data-based products and intelligent services to help companies carry out their digital transformation and accumulate data capital.</p>
Consumer Business Integration (Note 2)	<p>Focus on providing innovative domestic application services for users in the consumer market, helping clients from the retail, food, banking, insurance, and government industries to use the newest IT software technology to connect data value with an innovative mindset, develop domestic and financial services that consumers, members, and citizens need, instantly grasp market opportunities, and enhance corporate value.</p> <p>With software services at the core, combine cloudization and AI technology to set up five main service branches, including: Omni-payment service, providing diversified payment services, diversified payment devices, and automated payment solutions; Smart retail service, assisting stores with automated sales, automated service, robot application, and automated equipment; Omni-channel service, providing e-commerce platform development and operation service and O2O electronic voucher customer introduction service, grasping comprehensive consumer business opportunities; Smart financial services, providing financial industry solutions such as smart wealth management, consumer finance, insurance technology, and IT management; Data processing services, conducting various form generation and management services, insurance policy printing and integration services, and providing interactive electronic billing.</p>
Financial Business Integration (Note 3)	Financial Business Integration provides comprehensive, cross-border financial content and information services for multiple markets including securities, futures, warrants, bonds, bills, foreign exchange, and funds as well as secure information transaction platforms for multiple financial products in order to satisfy the business application software and solution requirements of financial institution clients and investors, including information, trading, operations and management, finance,



### III. Corporate Governance

Department	Functions
	<p>wealth management, risk management, asset management, and IT management.</p> <p>In response to trends in cloud, mobility, and artificial intelligence, Financial Business Integration also uses the professional finance transaction network as the basic cloud development model to provide the finance industry with quick selections in the formulation of finance information and professional transaction services. At the same time, it also creates and develops mobile services with leading clients in various industries to successfully forge new applications in portal sites, financial holding, securities and futures, investment consulting, insurance, telecommunications, logistics and transportation, and medical facilities etc. and create new standards for corporate services.</p>
Headquarters of China (Note 4)	<p>Headquarters of China distributes world-class software, added-value technologies, capabilities and professional services. It also employs intensified system integration capabilities to provide large-scale clients with customized services and become their long-term partners. The team also seeks out investment opportunities in new sectors in the Chinese market to develop products and services native to the finance sector on both sides of the strait. It is also responsible for integrating the related administrative and management affairs of subsidiaries in China.</p>

Note 1: Data Technology Business Integration is covering subsidiaries, including: Systex Software & Service Corp., Taifon Computer Co., Ltd and ETU Corp.

Note 2: Consumer Business Integration is covering subsidiaries, including: Nexsys Corp., Systex Solutions Corp. and E-service Information Corp.

Note 3: Financial Business Integration is covering subsidiaries, including: Softmobile Technology Corp., Syspower Corp., Naturint Ltd., Concord System Management Corp., Taiwan Electronic Data Processing Corp. and Top Information Technologies Co., Ltd.

Note 4: Headquarters of China is covering subsidiaries in China (Hong Kong) , including: Systek Information (Shanghai) Ltd., Sysware Shenglong Information Systems Co., Ltd., Systex Group(China) Ltd., Systex Rainbow Tech Inc., Systex Rainbow (Guangzhou) Tech Inc., Systex Ucom (Shanghai) Information Ltd.Co., Systex Information (H.K.) Ltd. and Rainbow Tech Information (HK) Limited.

3.1.3 Informantion of Subsidiaries: Please refer to pages 190-201.

# III. Corporate Governance

## 3.2 Directors and Management Team

### 3.2.1 Directors

As of April 20, 2020

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship			Remark(s)
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Chairman/ Huang, Tsong-Jen	R. O. C.	Male	June 13, 2019	3	June 15, 2006	20,755,750	7.70	20,755,750	7.70	2,008,634	0.75	-	-	Ph.D. in Computer Science, University of Wisconsin	Note 3	Director	Huang, Ting-Rong 、 Huang, Chi-Rong	Within one degree of kinship	-
Director/ Lin, Lung-Fen	R. O. C.	Male	June 13, 2019	3	March 28, 2002	1,324,762	0.49	1,324,762	0.49	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Note 4	-	-	-	-
Director/ Cheng, Deng-Yuan	R. O. C.	Male	June 13, 2019	3	March 28, 2002	168,152	0.06	153,152	0.06	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Note 5	-	-	-	-
Director/ Lu, Ta-Wei	R. O. C.	Male	June 13, 2019	3	June 13, 2007	415,656	0.15	415,656	0.15	2,050,390	0.76	-	-	Tunghai University, Dept. of Chemistry	Note 6	-	-	-	-
Director/ Shaw, Shung-Ho	R. O. C.	Male	June 13, 2019	3	March 28, 2002	945,475	0.35	945,475	0.35	229,201	0.09	-	-	MBA, National Chengchi University	Note 7	-	-	-	-
Director/ Hsieh, Chin-Ho	R. O. C.	Male	June 13, 2019	3	June 18, 2010	20,000	0.01	20,000	0.01	-	-	-	-	Master Degree in Graduate of East Asian Studies, National Chengchi University	Note 8	-	-	-	-
Director/ Huang, Ting-Rong	R. O. C.	Female	June 13, 2019	3	June 17, 2016	242,152	0.09	242,152	0.09	-	-	-	-	MBA, Waseda University	Note 9	Chairman	Huang, Tsong-Jen	Within one degree of kinship	-
Director/ Huang, Chi-Rong	R. O. C.	Female	June 13, 2019	3	June 17, 2016	633,780	0.24	633,780	0.24	-	-	-	-	Wharton School of the University of Pennsylvania, Dept. of Economics	Note 10	Chairman	Huang, Tsong-Jen	Within one degree of kinship	-

### III. Corporate Governance

As of April 20, 2020

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship			Remarks
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Director/ Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	R. O. C.	Male	June 13, 2019	3	June 13, 2007	5,540	-	5,540	-	-	-	-	-	National Taiwan University, Dept. of Law	Note 11	-	-	-	-
Director/ Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)	R. O. C.	Male	June 13, 2019	3	June 13, 2019	629	-	629	-	-	-	-	-	Fu Jen University, Dept. of Business Administration	Note 12	-	-	-	-
Independent Director/ Huang, Jih-Tsan	R. O. C.	Male	June 13, 2019	3	June 13, 2007	-	-	-	-	122,017	0.05	-	-	Ph.D. in Law, Harvard University	Note 13	-	-	-	-
Independent Director/ Cheng, Wen-Feng	R. O. C.	Male	June 13, 2019	3	June 21, 2013	-	-	-	-	845	-	-	-	Master Degree in Chemical Engineering, National Tsing Hua University	Note 14	-	-	-	-
Independent Director/ Lai, Chien-Hua	R. O. C.	Male	June 13, 2019	3	June 13, 2019	6,000	-	-	-	-	-	-	-	Feng Chia University, Dept. of Business Administration	Note 15	-	-	-	-

Note 1: Institutional representatives shall indicate the names of the institutional shareholders and fill in the information specified in Table 1 below.

Note 2: Concurrent positions as of the date of publication of the annual report.

Note 3: Chairman, representative of Ching Pu Investment Corp.

Chairman, Asiavest Capital Co., Ltd.

Director, representative of Kimo.com (BVI) Corp. and Systex Capital Group, Inc.

Note 4: President of SYSEX Corp.

Chairman, representative of Golden Bridge Information Corp., Systex Software & Service Corp., Etu Corp., Taiwan Electronic Data Processing Corp., Syslink Corp., Smartsys Technology Corp., Syswiser Technology Corp. and Sysware Singapore Pte. Ltd.

Director, representative of Ching Pu Investment Corp., Syscore Corp., Concord System Management Corp., SoftMobile Technology Corp., Systex Solutions Corp., Syspower Corp., Nexsys Corp., Naturint Ltd., Shenzhen Forms Syntron Information Co., Ltd., Forms Syntron Information (HK) Limited, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

### III. Corporate Governance

Note 5: Chief Strategy Officer of SYSEX Corp.

Chairman, representative of Systex Information (H.K.) Ltd.,

Director, representative of Rainbow Tech Information (HK) Limited

Director, Shenzhen Sunlight Technology Co., Ltd.

Supervisor, representative of Shenzhen Forms Syntron Information Co., Ltd. and Suntex Technology (Shenzhen) Co., Ltd.

Note 6: Chairman, Firstweb Limited

Note 7: Chairman, Liang Hsin Finance Corp.

Director, Scientech Corp., WPG Holdings Limited, Sundia Meditech Group and ALi Corp.

Note 8: Chairman, representative of Wealth Media Corp., Investment Media Ltd., Genetinfo Inc., Wealth Magazine Co., Ltd. and Business Today Publisher

Chairman, Business Today Co., Ltd.

Director, representative of Cashbox Partyworld Co., Ltd. and Business Today Marketing Corp.,

Director, Diancan Art & Collection Ltd.

Note 9: Independent Director, Chipbond Technology Corp.

Executive Director, Asiavest Capital Co., Ltd.

Director, Sundia Meditech Group

Note 10: Executive Director, Asiavest Capital Co., Ltd.

Director, representative of Taiwan Hopax Chems. Mfg. Co., Ltd.

Note 11: Director, representative of Hanmore Investment Corp.

Note 12: Chairman, representative of Hanmore Investment Corp.

Note 13: Special Advisor, Yulon-Group

Chairman, Taiwan Renaissance Corp.

Independent Director, WPG Holdings Limited, Taiwan Mobile Co., Ltd. and CTCI Corp.

Director, representative of Yulod Motor Co., Ltd., Taiwan Capital Buffalo Fund Co, Ltd. and Taiwan Capital Biotech Co., Ltd.

Note 14: Chairman, Boardtek Electronics Corp.

Independent Director, Chipbond Technology Corp.

Director, representative of Chipboard Technology Corp.

Director, Sundia Meditech Group

Note 15: Consultant, LoreMaster Tech Inc. and Jades Integrate Co., Ltd.

Table1- Major shareholders of the institutional shareholders

As of April 20, 2020

Name	Major Shareholders
Joway Investment Co., Ltd.	Ho, Mei-Yii (25.72%), Huang, Ting-Rong (25.32%), Huang, Chi-Rong (25.32%), Huang, Tsong-Jen (22.91%), Joray Co., Ltd. (0.73%)

Table2- Major shareholders of the Company's major institutional shareholders

As of April 20, 2020

Name	Major Shareholders
Joray Co., Ltd.	Ho, Mei-Yii (34.97%), Huang, Ting-Rong (29.84%), Huang, Chi-Rong (29.74%), Huang, Tsong-Jen (5.35%), Lai Hsueh, Fen-Fang (0.10%)

### III. Corporate Governance

As of April 20, 2020

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)												Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	11	12	
Huang, Tsong-Jen			√						√	√	√	√		√	√	0
Lin, Lung-Fen			√			√		√	√	√	√	√	√	√	√	0
Cheng, Deng-Yuan			√			√		√	√	√	√	√	√	√	√	0
Lu, Ta-Wei			√	√	√	√	√	√	√	√	√	√	√	√	√	0
Shaw, Shung-Ho			√	√	√	√	√	√	√	√	√	√	√	√	√	0
Hsieh, Chin-Ho			√	√	√	√	√	√	√	√	√	√	√	√	√	0
Huang, Ting-Rong			√	√	√	√		√	√	√	√	√		√	√	1
Huang, Chi-Rong			√	√	√	√		√	√	√	√	√		√	√	0
Lin, Chih-Min (Representative of Joway Investment Co.,Ltd.)			√	√		√	√		√	√	√	√	√	√		0
Wu, Cheng-Huan (Representative of Joway Investment Co.,Ltd.)			√	√		√	√		√	√	√	√	√	√		0
Independent Director Huang, Jih-Tsan		√	√	√	√	√	√	√	√	√	√	√	√	√	√	3
Independent Director Cheng, Wen-Feng			√	√	√	√	√	√	√	√	√	√	√	√	√	1
Independent Director Lai, Chien-Hua			√	√	√	√	√	√	√	√	√	√	√	√	√	0

### III. Corporate Governance

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Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
11. Not been a person of any conditions defined in Article 30 of the Company Law.
12. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

### III. Corporate Governance

#### 3.2.2 Management Team

As of April 20, 2020

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			Rmark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President/ Lin, Lung-Fen	R.O.C.	Male	2009.10	1,324,762	0.49	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Note 3	-	-	-	-
Chief Strategy Officer & Senior Vice President / Cheng, Deng-Yuan	R.O.C.	Male	2001.08	153,152	0.06	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Note 4	-	-	-	-
CFO, Corporate Governance Officer & Vice President/ Chung, Chih-Chun (Note 2)	R.O.C.	Male	2014.05	-	-	-	-	-	-	Master's degree in Banking and Finance, Tamkang University	Note 5	-	-	-	-
CHO & Vice President / Huang, Yu-Jen	R.O.C.	Male	2017.03	-	-	-	-	-	-	Master's degree in Graduate Institute of Human Resource Management, National Central University	None	-	-	-	-
Senior Vice President/ Yang, Shih-Chung	R.O.C.	Male	2007.01	1,225	-	-	-	-	-	National Cheng Kung University Dept. of Mathematics	Note 6	-	-	-	-

### III. Corporate Governance

As of April 20, 2020

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			Rmark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Senior Vice President/ Fan, Jee-Der	R.O.C.	Male	2007.01	90,743	0.03	952	-	-	-	Soochow University, Dept. of Business Mathematics	Note 7	-	-	-	-
Senior Vice President/ Su, Kou-Lin	R.O.C.	Male	2005.01	-	-	-	-	-	-	Master's degree in, Environmental Engineering, National Chung Hsing University	None	-	-	-	-
Vice President/ Chang, Huang-Yu	R.O.C.	Male	2005.06	72,312	0.03	-	-	-	-	Feng Chia University, Dept. of Information	Note 8	-	-	-	-
Vice President/ Yeh, Chen-Min	R.O.C.	Male	2007.01	210,000	0.08	-	-	-	-	Nanya Engineering College Dept. of Mechanical	Note 9	-	-	-	-
Vice President/ Chang, Ying-Chin	R.O.C.	Female	2007.01	3,599	-	2,023	-	-	-	National Taichun College Dept. of Banking and Insurance	Note 10	-	-	-	-
Vice President/ Lin, Wen-Kuei	R.O.C.	Male	2007.01	167,221	0.06	-	-	-	-	Lunghwa Engineering College Dept. of Electronic Engineering	None	-	-	-	-
Vice President/ Hsiao, Wei-Chun	R.O.C.	Male	2017.03	-	-	-	-	-	-	Fu Jen University, Dept. of Information Management	None	-	-	-	-



### III. Corporate Governance

As of April 20, 2020

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position (Note 1)	Managers who are Spouses or Within two degrees of kinship			Rmark(s)
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
Vice President/ Pan, Tieh-Yi	R.O.C.	Male	2018.01	13,142	-	1,883	-	-	-	Chien Hsin University of Science and Technology Dept. of Electronic Engineering	Note 11	-	-	-	-
Vice President/ Wu, Wen-Shuen	R.O.C.	Male	2018.01	19,000	0.01	-	-	-	-	Master of Business Administration, National Chengchi University	Note 12	-	-	-	-
Vice President/ Tao, Yea-Kuan	R.O.C.	Male	2018.01	-	-	-	-	-	-	Chuan Yuan University, Dept. of Information and Computer Engineering	Note 13	-	-	-	-
Vice President/ Tang, Yin-Soon	R.O.C.	Male	2012.01	26,031	0.01	-	-	-	-	Master's degree in Computer, The City University of New York	Note 14	-	-	-	-
Chief Audit Executive/ Tsai, Chun-Hsiung	R.O.C.	Male	2007.01	8,285	-	-	-	-	-	Tunghai University, Dept. of Business Administration	None	-	-	-	-
Accounting Manager/ Cheng, Yuan-Yih	R.O.C.	Male	2008.12	14,144	0.01	-	-	-	-	National Chung Hsing University, Dept. of Accounting	Note 15	-	-	-	-

### III. Corporate Governance

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Note 1: Concurrent positions as of the date of publication of the annual report.

Note 2: Has been appointed of Corporate Governance Officer in March, 2020.

Note 3: Chairman, representative of Golden Bridge Information Corp., Systex Software & Service Corp., Etu Corp., Taiwan Electronic Data Processing Corp., Syslink Corp., Smartsys Technology Corp., Syswiser Technology Corp. and Sysware Singapore Pte. Ltd.

Director, representative of Ching Pu Investment Corp., Syscore Corp., Concord System Management Corp., SoftMobile Technology Corp., Systex Solutions Corp., Syspower Corp., Nexsys Corp., Naturint Ltd., Shenzhen Forms Syntron Information Co., Ltd., Forms Syntron Information (HK) Limited, Kimo.com (BVI) Corp., Systex Capital Group, Inc. and Systex Solutions (HK) Ltd.

Note 4: Chairman, representative of Systex Information (H.K.) Ltd.

Director, representative of Rainbow Tech Information (HK) Ltd.

Director, Shenzhen Sunlight Technology Co., Ltd.

Supervisor, representative of Shenzhen Forms Syntron Information Co., Ltd. and Suntex Technology (Shenzhen) Co., Ltd.

Note 5: Chairman, representative of Syscore Corp.

Director, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Systemweb Technologies Co., Ltd., FinRobo Advisor Securities Investment Consulting Co., Ltd., Enova Technology Corp., Systex Infopro Corp. Ltd. and Systex Solutions (HK) Ltd.

Supervisor, representative of Concord System Management Corp., Taifon Computer Co., Ltd., Systex Solutions Corp., SoftMobile Technology Corp., Nexsys Corp., Naturint Ltd. and Syslink Corp.

Supervisor of Etu Corp., Investment Media Ltd., Taiwan Electronic Data Processing Corp. and Hanmore Investment Corp.

Note 6: Chairman, representative of E-service Information Corp.

Director, representative of Nexsys Corp., Far Eastern Electronic Toll Collection Corp., Mohist web technology Co., Ltd., Neweb Information Co., Ltd. and Fuco Technology Co., Ltd.

Note 7: Chairman, representative of Naturint Ltd., Syspower Corp., Top Information Technologies Co., Ltd.

Director, representative of SoftMobile Technology Corp., Taiwan Electronic Data Processing Corp., Investment Media Ltd., Systemweb Technologies Co., Ltd., Sanfran Technology Inc., FinRobo Advisor Securities Investment Consulting Co., Ltd., GenSys Technology(International) Limited

Note 8: Director, representative of Shengsen Cloud Technology

Note 9: Director, representative of Fuco Technology Co., Ltd.

Note 10: Director, representative of Investment Media Ltd.

Note 11: Chairman, representative of Nexsys Corp.

Director, representative of Da Ho Marketing Co., Ltd. and Retail System Co., Ltd.

Note 12: Chairman, representative of SoftMobile Technology Corp.

Note 13: Chairman, representative of Concord System Management Corp.

Director, representative of Top Information Technologies Co., Ltd. and Sanfran Technology Inc.

Note 14: Director, representative of Syslink Corp.

Note 15: Director, representative of Hanmore Investment Corp. and Taiwan Electronic Data Processing Corp.

Supervisor, representative of Ching Pu Investment Corp., Golden Bridge Information Corp., Systex Software & Service Corp., Syscore Corp., Smartsys Technology Corp., Syswiser Technology Corp. and Syspower Corp.

Supervisor of Top Information Technologies Co., Ltd. and E-service Information Corp.

# III. Corporate Governance

## 3.3 Remuneration of Directors and Management Team

### 3.3.1 Remuneration of Directors

Unit: NT\$ thousands As of December 31, 2019

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary		
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 2)								
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities			The Company	Consolidated Entities
																		Cash	Stock	Cash	Stock			
Chairman	Huang, Tsong-Jen																							
Director	Lin, Lung-Fen																							
Director	Cheng, Deng-Yuan																							
Director	Lu, Ta-Wei																							
Director	Shaw, Shung-Ho																							
Director	Hsieh, Chin-Ho																							
Director	Huang, Ting-Rong																							
Director	Huang, Chi-Rong	-	-	-	-	26,170	26,170	325	325	1.47	1.47	35,794	36,265	332	332	5,191	-	5,191	-	3.75	3.78	-		
Director	Joway Investment Co., Ltd.																							
Director Representative	Lin, Chih-Min																							
Director Representative	Wu, Cheng-Huan (Note 4)																							
Director Representative	Huang, Yi-Shiung (Note 4)																							
Independent Director	Huang, Jih-Tsan																							
Independent Director	Cheng, Wen-Feng																							
Independent Director	Lai, Chien-Hua (Note 4)	855	855	-	-	13,085	13,085	270	270	0.79	0.79	-	-	-	-	-	-	-	-	0.79	0.79	-		
Independent Director	Cheng, Huang-Yen (Note 4)																							

### III. Corporate Governance

1. Please describe the policy, system, standard, and structure of remuneration to independent directors, and the correlation between duties, risk, and time input with the amount of remuneration:  
The remuneration to independent directors included bonus, base compensation and allowances. The payment of bonus to directors is in accordance with "Articles of Incorporation." And according to "Procedure for distribution for directors' remuneration", independent directors have different cardinality to distribution bonus.  
According to the resolution of the board of directors, independent directors receive fixed base compensation quarterly.  
The allowances is charged each time the board of directors or functional committee is attended in person.  
Independent directors of the company assume the office of member of Audited committee and remuneration committee to deliberation various matters.  
Independent directors are charged with duties, risk, and time input more than general directors.  
The three Independent directors are with independence and professionalism. They has given independent opinions for material matters and played the role of supervision and balance. And they keep the well communication with CPAs and Audit Division to understand the financial status and internal control system of the company.
2. Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2019: None.

Note 1: The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations; general remuneration standards within the domestic and international industries are also duly referenced. The acquisition cost of vehicles allocated to Directors was NT\$10,169 thousands, and the annual salary of drivers amounted to NT\$1,509 thousands.

Note 2: The 2019 directors' and employees' remuneration distribution plan is NT\$39,255 thousands and NT\$58,883 thousands had been approved by Borad of Director.

Note 3: The consolidated net profit after tax in 2019 (excluding non-controlling interests) was NT\$1,808,042 thousands.

Note 4: The Company has elected thirteen Directors on 13 June, 2019, Huang, Yi-Shiung and Cheng, Huang-Yen were end the term of director on 12 June, 2019; Wu, Cheng-Huan and Lai, Chien-Hua has been elected the term of director on June 13, 2019.

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Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Under NT\$ 1,000,000	Lin, Chih-Min (Note1), Wu, Cheng-Huan(Note1, Note2), Huang, Yi-Shiung (Note1, Note2)	Lin, Chih-Min (Note1), Wu, Cheng-Huan(Note1, Note2), Huang, Yi-Shiung (Note1, Note2)	Lin, Chih-Min (Note1), Wu, Cheng-Huan(Note1, Note2), Huang, Yi-Shiung (Note1, Note2)	Lin, Chih-Min (Note1), Wu, Cheng-Huan(Note1, Note2), Huang, Yi-Shiung (Note1, Note2)
NT\$1,000,000 ~ NT\$2,000,000				
NT\$2,000,000 ~ NT\$3,500,000	Lin, Lung-Fen, Cheng, Deng-Yuan, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong, Lai, Chien-Hua(Note 2), Cheng, Huang-Yen(Note 2)	Lin, Lung-Fen, Cheng, Deng-Yuan, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong, Lai, Chien-Hua(Note 2), Cheng, Huang-Yen(Note 2)	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong, Lai, Chien-Hua(Note 2), Cheng, Huang-Yen(Note 2)	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong, Huang, Chi-Rong, Lai, Chien-Hua(Note 2), Cheng, Huang-Yen(Note 2)
NT\$3,500,000 ~ NT\$5,000,000	Huang, Jih-Tsan, Cheng, Wen-Feng, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Joway Investment Co., Ltd.	Huang, Jih-Tsan, Cheng, Wen-Feng, Joway Investment Co., Ltd.
NT\$5,000,000 ~ NT\$10,000,000	Huang, Tsong-Jen	Huang, Tsong-Jen	Huang, Tsong-Jen	Huang, Tsong-Jen
NT\$10,000,000 ~ NT\$15,000,000			Cheng, Deng-Yuan	Cheng, Deng-Yuan
NT\$15,000,000 ~ NT\$30,000,000				
NT\$30,000,000~ NT\$50,000,000			Lin, Lung-Fen	Lin, Lung-Fen
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	16	16	16	16

Note 1: Representative of Joway Investment Co., Ltd.

Note 2: The Company has elected thirteen Directors on 13 June, 2019, Huang, Yi-Shiung and Cheng, Huang-Yen were end the term of director on 12 June, 2019; Wu, Cheng-Huan and Lai, Chien-Hua has been elected the term of director on June 13, 2019.

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### 3.3.2 Remuneration of Management Team

Unit: NT\$ thousands As of December 31, 2019

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income [%]		Other Compensations from non-subsidiary affiliates	
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities		
								Cash	Stock	Cash	Stock				
President	Lin, Lung-Fen														
Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan														
CFO, Corporate Governance Officer & Vice President	Chung, Chih-Chun														
CHO & Vice President	Huang, Yu-Jen														
Senior Vice President	Yang, Shih-Chung														
Senior Vice President	Fan, Jee-Der														
Senior Vice President	Su, Kou-Lin														
Vice President	Chang, Huang-Yu														
Vice President	Yeh, Chen-Min	39,442	39,912	2,345	2,345	71,444	71,444	7,323	-	7,323	-	6.67	6.69	370	
Vice President	Chang, Ying-Chin														
Vice President	Lin, Wen-Kuei														
Vice President	Hsiao, Wei-Chun														
Vice President	Pan, Tieh-Yi														
Vice President	Wu, Wen-Shuen														
Vice President	Tao, Yea-Kuan														
Vice President	Tang, Yin-Soon														
Chief Audit Executive	Tsai, Chun-Hsiung														

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Note 1: The 2019 employees' remuneration distribution plan is NT\$58,883 thousands had been approved by Board of Director.

Note 2: The consolidated net profit after tax in 2019 (excluding non-controlling interests) was NT\$1,808,042 thousands.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Consolidated Entities
Under NT\$ 1,000,000		
NT\$1,000,000 ~ NT\$2,000,000	Chang, Ying-Chin,	Chang, Ying-Chin,
NT\$2,000,000 ~ NT\$3,500,000		
NT\$3,500,000 ~ NT\$5,000,000	Chang, Huang-Yu, Yeh, Chen-Min, Lin, Wen-Kuei, Pan, Tieh-Yi, Wu, Wen-Shuen, Tang, Yin-Soon, Tsai, Chun-Hsiung	Chang, Huang-Yu, Yeh, Chen-Min, Lin, Wen-Kuei, Pan, Tieh-Yi, Wu, Wen-Shuen, Tang, Yin-Soon, Tsai, Chun-Hsiung
NT\$5,000,000 ~ NT\$10,000,000	Cheng, Deng-Yuan, Chung, Chih-Chun, Huang, Yu-Jen, Yang, Shih-Chung, Fan, Jee-Der, Su, Kou-Lin, Hsiao, Wei-Chun, Tao, Yea-Kuan	Cheng, Deng-Yuan, Chung, Chih-Chun, Huang, Yu-Jen, Yang, Shih-Chung, Fan, Jee-Der, Su, Kou-Lin, Hsiao, Wei-Chun, Tao, Yea-Kuan
NT\$10,000,000 ~ NT\$15,000,000		
NT\$15,000,000 ~ NT\$30,000,000		
NT\$30,000,000 ~ NT\$50,000,000	Lin, Lung-Fen	Lin, Lung-Fen
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	17	17

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### 3.3.3 Employees' remuneration

Unit: NT\$ thousands As of January 1, 2020

	Title	Name	Stock (Note1)	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Management Team	President	Lin, Lung-Fen	-	7,438	7,438	0.41
	Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan				
	CFO, Corporate Governance Officer & Vice Presidents	Chung, Chih-Chun				
	CHO & Vice President	Huang, Yu-Jen				
	Senior Vice President	Yang, Shih-Chung				
	Senior Vice President	Fan, Jee-Der				
	Senior Vice President	Su, Kou-Lin				
	Vice President	Chang, Huang-Yu				
	Vice President	Yeh, Chen-Min				
	Vice President	Chang, Ying-Chin				
	Vice President	Lin, Wen-Kuei				
	Vice President	Hsiao, Wei-Chun				
	Vice President	Pan, Tieh-Yi				
	Vice President	Wu, Wen-Shuen				
	Vice President	Tao, Yea-Kuan				
	Vice President	Tang, Yin-Soon				
	Chief Audit Executive	Tsai, Chun-Hsiung				
Accounting Manager	Cheng, Yuan-Yih					

Note 1: The 2019 employees' remuneration distribution plan is NT\$58,883 thousands had been approved by Borad of Director.

Note 2: The consolidated net profit after tax in 2019 (excluding non-controlling interests) was NT\$1,808,042 thousands.



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### 3.3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents

- A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, presidents and vice presidents of the Company, to the net income.

Title	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)			
	2018		2019	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	5.82	5.86	4.54	4.57
President and Vice Presidents	10.35	10.42	6.67	6.69

- B. Policies, standards, and combination of remuneration payment to firectors, President, and Vice President, the remuneration determination procedure, and the relationship between operation performance and future risk.

(a) The Directors are remunerated in accordance with the Company's current Articles of Incorporation. The Company has also established the Regulations on Director Remuneration to calculate their remuneration in accordance with the base numbers established by their contribution to the Company and whether they are Independent Directors.

Director remuneration includes remuneration, salary, and travel expenses etc. Independent Directors are paid fixed amounts of remuneration every quarter in accordance with the resolutions of Board of Directors meetings. Travel expenses are paid each time Directors attend Board of Directors or functional committee meetings in person. The Company's remuneration for employees and Directors shall be no lower than 0.1% and under 2% of the earnings before tax of the year and before deducting remuneration for employees and Directors.

(b) Remuneration for the President and Vice Presidents are paid in accordance with the Company's related human resources policies. The remuneration mainly includes basic salary, rewards, and employee remuneration. Rewards and bonuses are distributed based on the overall operating performance of the Company and in accordance with the Regulations on the Distribution of Year-End Bonus, Regulations on the Distribution of Performance Bonus, Regulations on the Distribution of Group Performance Bonus and Employee Bonus, and Regulations on Employee Share Subscription Certification.

- C. Methods of remuneration payment to the President and Vice President of the Company and relationship between operation performance and future risk are stipulated as follows:

(a) The Company's Director remuneration payment policy is established in the Articles of Incorporation. The distribution is carried out after approval from the Board of Directors and the distribution status is reported to the shareholders' meeting. In addition, the Board of Directors may resolve to pay remuneration for Directors in each quarter in accordance with the Articles of Incorporation. The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations, taking into account the general remuneration standards within the domestic and international industry.

(b) The Company has established a Remuneration Committee to be in charge of the performance evaluation of Directors and managerial officers, set and reviewing the remuneration policy, system standards and structure, and conduct periodic review on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Company's Directors and managerial officers.

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D. Procedures for payment and relevance with operation performance and future risk exposure.

- (a) Director remuneration shall be determined by the business performance of the Company and its profitability, while taking into account existing affairs that may cause risks in the Company's future liabilities, obligations, or debt. According to the Company's Articles of Incorporation, director remuneration may only be distributed when the Company generates profits. The remuneration shall be in positive correlation to the Company's business performance while taking into account its future operating risks.
- (b) Remuneration for the President and Vice Presidents are distributed based on the achievement rate of their personal targets, performance, and their contribution to the Company's overall operations. Rewards and bonuses are distributed based on the overall operating performance of the Company and in accordance with the Regulations on the Distribution of Year-End Bonus, Regulations on the Distribution of Performance Bonus, Regulations on the Distribution of Group Performance Bonus and Employee Bonus, and Regulations on Employee Share Subscription Certification. The distribution of remuneration shall be in positive correlation to the operating performance.

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### 3.4 Implementation of Corporate Governance

#### 3.4.1 Board of Directors

The 8th Board of Directors (commenced from June 17, 2016)

A total of 2 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Huang, Tsong-Jen	2	0	100%	
Director	Lin, Lung-Fen	2	0	100%	
Director	Cheng, Deng-Yuan	2	0	100%	
Director	Lu, Ta-Wei	2	0	100%	
Director	Shaw, Shung-Ho	2	0	100%	
Director	Hsieh, Chin-Ho	2	0	100%	
Director	Huang, Ting-Rong	2	0	100%	
Director	Huang, Chi-Rong	2	0	100%	
Director	Huang, Yi-Shiung (Representative of Joway Investment Co., Ltd.)	2	0	100%	
Director	Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	2	0	100%	
Independent Director	Huang, Jih-Tsan	2	0	100%	
Independent Director	Cheng, Wen-Feng	2	0	100%	
Independent Director	Cheng, Huang-Yen	2	0	100%	

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The 9th Board of Directors (commenced from June 13, 2019)

A total of 4 (A) meetings of the Board of Directors were held in the previous period. The attendance of directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Huang, Tsong-Jen	4	0	100%	
Director	Lin, Lung-Fen	4	0	100%	
Director	Cheng, Deng-Yuan	4	0	100%	
Director	Lu, Ta-Wei	4	0	100%	
Director	Shaw, Shung-Ho	4	0	100%	
Director	Hsieh, Chin-Ho	4	0	100%	
Director	Huang, Ting-Rong	4	0	100%	
Director	Huang, Chi-Rong	4	0	100%	
Director	Lin, Chih-Min (Representative of Joway Investment Co., Ltd.)	4	0	100%	
Director	Wu, Cheng-Huan (Representative of Joway Investment Co., Ltd.)	4	0	100%	
Independent Director	Huang, Jih-Tsan	3	1	75%	
Independent Director	Cheng, Wen-Feng	3	1	75%	
Independent Director	Lai, Chien-Hua	5	0	100%	

Other mentionable items:

1. The date of the Board meeting, the term, contents of the proposals, opinions of all Independent Directors, and the Company's handling of opinions of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:

(1) Items listed in Article 14-3 of the Securities and Exchange Act: Not applicable, since the Company has already established the Audit Committee.

(2) With the exception of the aforementioned items, resolutions adopted by the Board of Directors, to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: Not applicable.

2. Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated):

(1) On March 21, 2019, the Board of Directors discussed: (i) The review results of managerial officers for the second half of 2018; (ii) The distribution of year-end bonus, group performance reward and employee remuneration, excess profit bonus and annual remuneration for managerial officers for 2018; (iii) 2019 KPI settings and remuneration plan for the Company's managerial officers. As Directors Lin, Lung-Fen and Cheng, Deng-Yuan serve concurrently as the Company's managerial officers, they recused themselves when the discussion involved their interest and the other Directors in attendance passed the proposal unanimously.

(2) On August 8, 2019, the Board of Directors discussed: (i) The amendment "Procedures for distribution for directors' remuneration."; (ii) The remuneration for members of the Remuneration Committee. As about the remuneration of the Independent Director: Huang, Jih-Tsan, Cheng, Wen-Feng, Lai,

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Chien-Hua, they recused themselves when the discussion involved his interest and the other Directors in attendance passed the proposal unanimously.

(3) On November 7, 2019, the Board of Directors discussed the review results of managerial officers for the first half of 2019. As the Director Cheng, Deng-Yuan serves concurrently as the Company's managerial officers, he recused himself when the discussion involved his interest and the other Directors in attendance passed the proposal unanimously.

#### 3. Board of Director Performance Evaluation:

For effective corporate governance and better board performance, the Company has established the "Regulations on Board of Director Performance Evaluation" on August 10, 2017.

It was passed in the board meeting and it stipulates an internal performance evaluation for the Board of Directors at once every year.

The results of the 2019 performance evaluation were submitted to the Board of Directors on March 19, 2020. If a score of 80 points is deemed to meet standards, the results of performance evaluation for the Company's Board of Directors, Audit Committee, Remuneration Committee, and individual Directors were all above 80 points, demonstrating the satisfactory overall operations of the Board that is in line with the Company's corporate governance principles.

Implementation situation:

Evaluation cycles	Evaluation periods	Scope of evaluation	Method of evaluation	Indexes of evaluation
Once a year	Year 2019 from January 1 to December 31	Evaluation scope covers the evaluation of the board as a whole, individual directors and functional committees.	Methods of evaluations include the internal evaluation of the board and functional committees, self-evaluation by individual board members.	<ol style="list-style-type: none"> <li>1. The board of directors, which should cover: <ul style="list-style-type: none"> <li>● Participation in the operation of the company;</li> <li>● Improvement of the quality of the board of directors' decision making;</li> <li>● Composition and structure of the board of directors;</li> <li>● Election and continuing education of the directors;</li> <li>● Internal control.</li> </ul> </li> <li>2. The board members, which should cover: <ul style="list-style-type: none"> <li>● Alignment of the goals and missions of the company;</li> <li>● Awareness of the duties of a director;</li> <li>● Participation in the operation of the company;</li> <li>● Management of internal relationship and communication;</li> <li>● The director's professionalism and continuing education;</li> <li>● Internal control.</li> </ul> </li> <li>3. Functional committees, which should cover: <ul style="list-style-type: none"> <li>● Participation in the operation of the company;</li> <li>● Awareness of the duties of the functional committee;</li> <li>● Improvement of quality of decisions made by the</li> </ul> </li> </ol>

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				functional committee; ● Makeup of the functional committee and election of its members ; ● Internal control.
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4. Measures taken to strengthen the functionality of the board:

(1) The Company reelected three Independent Directors in the election of the 9th Board of Directors in the general shareholders' meeting on June 13, 2019 and established the Audit Committee on the same day.

The Audit Committee held 4 meetings in 2019 to review related proposals.

(2) The Company conducted the election of the 9th Board of Directors in the general shareholders' meeting on June 13, 2019 and established the Remuneration Committee on the same day. The Committee is composed of three Independent Directors and is vested with the purpose to professionally and objectively evaluate the salary and remuneration policy of the Directors and managerial officers and then provide its recommendation to the Board of Directors.

The current term Remuneration Committee held 5 meetings in 2019 to review related proposals.

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### 3.4.2 Audit Committee

Audit Committee of the 8th Board of Directors (commenced from June 17, 2016)

A total of 3 (A) meetings of Audit Committee of the Board of Directors were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Huang, Jih-Tsan	3	0	100%	
Independent director	Cheng, Wen-Feng	3	0	100%	
Independent director	Cheng, Huang-Yen	3	0	100%	

Audit Committee of the 9th Board of Directors (commenced from June 13, 2019)

A total of 4 (A) meetings of Audit Committee of the Board of Directors were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Huang, Jih-Tsan	4	0	100%	
Independent director	Cheng, Wen-Feng	4	0	100%	
Independent director	Lai, Chien-Hua	4	0	100%	

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Other mentionable items:

1. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(1) Items specified in Article 14-5 of the Securities and Exchange Act:

Meeting Dates	Contents Proposed	Resolutions of the Audit Committee	Handling of the resolutions of the Audit Committee
March 21, 2019	The amended "Internal Control System".	Approved	N/A
	The business report and the financial statements for 2018.	Approved	N/A
	The amended "Procedures for the Acquisition and Disposal of Assets".	Approved	N/A
	The amended "Procedures for Loaning of Funds".	Approved	N/A
	The amended "Procedures for Making of Endorsements and Guarantees".	Approved	N/A
May 2, 2019	The endorsement guarantee for Rainbow Tech Information (HK) Ltd.	Approved	N/A
August 8, 2019	The amended "Internal Control System".	Approved	N/A
	Financial Statements for the Second Quarter Ended of 2019.	Approved	N/A
	The endorsement guarantee for Rainbow Tech Information (HK) Ltd.	Approved	N/A
	The endorsement guarantee for Systex Software & Service Corp.	Approved	N/A
	The endorsement guarantee for Systex Group (China) Ltd.	Approved	N/A
December 19, 2019	The amended "Internal Control System".	Approved	N/A
	The endorsement guarantee for Systex Group (China) Ltd.	Approved	N/A
	The Audit Fee for 2019.	Approved	N/A

(2) With the exception of the aforementioned items, any issues that are not agreed by the Audit Committee but passed by more than two-thirds of all Directors: No such occurrences.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1) The Company's Audit Committee shall be solely composed of Independent Directors and meetings shall be convened at least once a quarter. Ad-hoc meetings shall be held whenever necessary.

(2) Communication between the chief internal auditor and the Audit Committee:

a. Periodic: Report the findings in audits and the status of improvement on irregularities to the Audit Committee; respond to all questions submitted by the Independent Directors, and enhance the contents of auditing tasks in accordance with their instructions to ensure the effectiveness of the



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internal control system.

b. Non-periodic: Use telephone, email, or face-to-face communication to communicate discoveries in the audits and how to continuously increase the value of audits. In the event of material violation, the Independent Directors shall be notified immediately.

c. Summaries of communication in 2019:

Date	Communication Content	Results
Audit Committee on March 21, 2019	The implementation of audit program from January to March, 2019.	Noticed.
	The "Statement of Internal Control System" for 2018.	Approved and referred to the Board.
	The amended "Audit Committee Charter" and "Computerized information processing cycle" of "Internal Control System".	Approved and referred to the Board.
Audit Committee on May 2, 2019	The implementation of audit program for April, 2019.	Noticed.
Audit Committee on August 8, 2019	The implementation of audit program from May to July, 2019.	Noticed.
	The amended "Sales and receivable cycle" "Management of the use of seals" of "Internal Control System".	Approved and referred to the Board.
Audit Committee on December 19, 2019	The implementation of audit program from August to December, 2019.	Noticed.
	The Audit program for 2020.	Approved and referred to the Board.
	The amended "Research and development cycle" of "Internal Control System".	Approved and referred to the Board

(3) Communication between the CPAs and the Audit Committee:

a. Periodic: The CPAs shall communicate with the Audit Committee on the audit plan, execution status, and results in the periods before and after the semi-annual and annual audit reports.

b. Non-periodic: Meetings may be arranged in the event that operations or internal controls require immediate communication on related cases.

c. Summaries of communication in 2019:

Date	Item	Communication Content	Results
March 21, 2019	Financial Statement for Year 2018	Consolidated and Unconsolidated Financial Statements for Year 2018	Report the audited adjustments of Year 2018 Financial Statement. We discuss and communicate the applicability of certain accounting principles.
	Key audit items	The impairment evaluation for accounts receivable were the key audit items in 2018.	The most important items of Systex Group's 2018 Consolidated Financial Statements as per the professional judgment of the CPA.
	Management and usage of repatriated overseas capital	The Executive Yuan has passed the Draft Act on the Management,	The Company will continue to take note of changes to the regulations and

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			Utilization, and Taxation of Repatriated Offshore Funds Act, which is expected to allow preferential tax rates to overseas Taiwanese businesses putting remitted capital into certain industries. The Company will look for any changes to relevant regulations in the future to properly plan its use of overseas capital and the right timing for repatriation.	evaluate industries suitable for investment when planning the remittance and usage of overseas capital.
		Assessment of equity method investment premium and subsequent impairment assessment	As there are many new investment projects this year, please pay attention to accounting procedures for business combinations (e.g.: supporting documents for price difference allocation) and continued follow-up assessments.	The Company will periodically assess whether investment premiums show signs of impairment and conduct impairment assessments.
		Tax haven economic substance requirements	To implement the anti-tax base erosion and profit shifting (BEPS) measures established by the Organization for Economic Cooperation and Development (OECD), the EU reviews the tax systems of many countries and regions around the world, blacklisting or observing (greylisting) those that do not meet standards. The Group estimates that those affected will be BVI holding companies reminds the Company to respond as soon as possible.	<ol style="list-style-type: none"> <li>1. Meeting economic substance and tax substance requirements in the short term requires high maintenance cost; Pure holding companies have lower economic substance requirements and can be handled by third-party consulting firms.</li> <li>2. Discuss overall planning with accountants after long-term BVI enforcement rules and domestic anti-tax avoidance rules (Article 43-4 of the Income Tax Act (Place of Effective Management (PEM)) is passed.</li> </ol>
August 8, 2019	Financial Statements for the Second Quarter Ended June 30, 2019	Consolidated Financial Statements for the Second Quarter Ended of 2019.	Report the adjustments of financial statements for the Second Quarter Ended of 2019. We discuss and communicate the newly-announced "Statements on Auditing Standards" and the amendment of decree.	

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	Disposal of shares in Shenzhen Forms Syntron Information and impact of subsequent accounting	Investment in Forms Syntron Information (Shenzhen) Limited has significant influence considering IAS 28, so it is assessed using the equity method. If the investment is deemed to no longer hold significant influence and equity method is no longer used, the remaining investment (reserved equity) in the original affiliated corporations will be assessed through fair value and handled according to IFRS 9 "Financial Instruments".	The company will evaluate the accounting treatment method based on the future share disposal plan of Forms Syntron Information (Shenzhen) Limited.
	Invest in Shenzhen Sunlight Technology Co., Ltd. through equity method	According to the equity agreement contract with Shenzhen Sunlight Technology Co. Ltd. Inquire how the Company plans to handle its equity and the estimated recoverable amount.	The equity agreement has been re-signed.
	Management, Utilization, and Taxation of Repatriated Offshore Funds Act	To encourage overseas Taiwanese businesses to return and invest in Taiwan, the Legislative Yuan passed the "Management, Utilization, and Taxation of Repatriated Offshore Funds Act" on July 3, 2019. If the Company's plans for overseas surplus remittance changes due to the implementation of the Act, the impact on relevant taxes should be assessed and accounted for to reflect the impact on taxes during the actual remittance.	The Company will continue to evaluate the status of BVI funds and demand for domestic capital. Income tax expenses will be calculated if there is an opportunity to invest in overseas capital remittance-related industries, or if the Company has other needs to use capital.

#### 4. Annual work summary:

The Audit Committee has been assembled by three Independent directors and supervise item follows:

- (1) Fair presentation of the financial reports of this Corporation.
- (2) The hiring (and dismissal), independence, and performance of certificated public accountants of the Company.
- (3) The effective implementation of the internal control system of the Company.
- (4) Compliance with relevant laws and regulations by the Company.
- (5) Management of the existing or potential risks of the Company.

### III. Corporate Governance

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The Audit Committee held 7 meetings (8th and 9th trem) in 2019 to review related proposals, including of the business report and the financial statements for 2018 and the Second Quarter Ended June 30, 2019, the endorsement guarantee for subsidiaries; the amended "Procedures for the Acquisition and Disposal of Assets", "Procedures for Loaning of Funds", "Procedures for Making of Endorsements and Guarantees."

### III. Corporate Governance

#### 3.4.3 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Item	Implementation Status			Reason for Non-Implement
	Yes	No	Summary Description	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	V		The Company’s “Corporate Governance Best Practice Principles” have been established and disclosed on the company website in accordance with regulations.	None
2. Shareholding Structure & Shareholders’ Rights				
(1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure?	V		(1) The Company has established the “Rules and Procedures for Shareholders’ Meetings” in accordance with regulations and shareholders may file suggestions in the shareholders’ meeting. The Company also established a spokesperson and acting spokesperson system to process shareholder suggestions or disputes.	
(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company’s shareholder agency institute can provide a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders in a timely manner for the Company to understand its shareholding structure.	None
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3) The Company has established the “Rules Governing Operations, Business and Financial Matters with Specific Companies, Group Enterprises, and Related Parties” to strictly control and monitor subsidiaries’ rights to conduct loans, endorsements, guarantees, and operations in derivatives in order to ensure the enforcement of internal controls and internal auditing for the purpose of risk management and maintenance of a firewall system.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4) The Company has established “Procedures for Handling Material Internal Information” and educated the internal staff on the restriction of trading securities based on information that has not been disclosed on the market.	

### III. Corporate Governance

Item	Implementation Status			Reason for Non-Implement
	Yes	No	Summary Description	
<p>3. Structure of Board of Directors and its responsibility</p> <p>(1) Does the Board develop and implement a diversified policy for the composition of its members?</p> <p>(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?</p> <p>(3) Does the company establish a standard to measure the performance of the Board and implement it annually, and are performance evaluation results submitted to the Board of Directors and referenced when determining the remuneration of individual directors and nominations for reelection?</p> <p>(4) Does the company regularly evaluate the independence of CPAs?</p>	V	V	<p>(1) The members of the Company's Board of Directors shall be selected for their knowledge, skills, and competencies required for executing their duties based on existing operations and actual requirements in order to enhance the capabilities of the Board of Directors.</p> <p>(2) The Company has established the Remuneration Committee and Audit Committee but no other functional committees.</p> <p>(3) For effective corporate governance and better board performance, the Company has established the "Regulations on Board of Director Performance Evaluation" on August 10, 2017. It was passed in the board meeting and it stipulates an internal performance evaluation for the Board of Directors at once every year. The results of the 2019 performance evaluation were submitted to the Board of Directors on March 19, 2020. If a score of 80 points is deemed to meet standards, the results of performance evaluation for the Company's Board of Directors, Audit Committee, Remuneration Committee, and individual Directors were all above 80 points, demonstrating the satisfactory overall operations of the Board that is in line with the Company's corporate governance principles.</p> <p>(4) The financial statements of the company have been audited by Deloitte &amp; Touche. The Board of Directors shall regularly evaluate the independence of the certifying accountant. The independence of the CPA has been evaluated on December 19, 2019. Inspections have shown that the appointment of the CPA is not involved in financial interests, financing, guarantees, and close business relations with the Company, non-auditing businesses, or violation of independence of the CPA. In addition, the CPA does not hold any of the Company's shares, nor is the CPA hired by the Company or serves in the Company or a violation of the Certified Public Accountant Act or Article 37 of the Securities and</p>	<p>However, the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and related regulations shall apply where there are regulatory or actual requirements.</p>

### III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
			Exchange Act those results in penalty by the Financial Supervisory Commission. After inspections, the Company's certifying accountant has been verified to be in compliance with requirements for independence as specified in the Certified Public Accountant Act and related regulations.	
4. Does the company appoint a suitable number of competent personnel and a supervisor responsible for corporate governance matters (including but not limited to providing information for directors and supervisors to perform their functions, assisting directors and supervisors with compliance, handling work related to meetings of the board of directors and the shareholders' meetings, and producing minutes of board meetings and shareholders' meetings)?	V		<p>Chung, Chih-Chun, CFO of the Company has been the Corporate Governance Officer and the CFO Office setting sufficient members is in charge of related affairs regarding corporate governance in the Company. The Office has accumulated more than three years of work experience in financial management in public companies.</p> <p>Related corporate governance affairs include supplying information to Directors for the performance of their affairs, assisting Directors in regulatory compliance, organizing shareholders meetings and Board of Directors meetings in accordance with laws, producing meeting minutes, and processing company registration and change of registration.</p> <p>The status of business operations in 2019 was as follows:</p> <ol style="list-style-type: none"> <li>1. The Office organized 2 courses for Directors to meet the number of course hours recommended in the regulations.</li> <li>2. The Office was responsible for examining matters related to the release of material information about the important resolutions approved by the Board of Directors to ensure the legality and accuracy of the content of the material information and maintain information symmetry for investor trading.</li> <li>3. The Office planned the schedules for the meetings of the Board of Directors and the Audit Committee for the year, formulated meeting agenda, assisted the chairmen in convening meetings in accordance with laws, and delivered meeting information and agenda within the required time.</li> <li>4. The Office processed related affairs in the shareholders meeting in accordance with laws and announces the Procedures Manual, Annual Report, and related information in Chinese and English before the benchmark deadlines specified in the Corporate Governance Evaluation.</li> <li>5. The Office assisted the implementation of internal performance evaluation for the Board of Directors.</li> </ol>	None

### III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
5. Does the company establish a communication channel and build a designated section on its website for stakeholders (including but not limited to shareholders, employees, customers, and suppliers), as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed the Department of Stock Affairs at Yuanta Securities Co., Ltd. to process affairs related to shareholders' meetings.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)? (3) Does the company announce and report annual financial statements within two months after the end of each fiscal year, and announce and report Q1, Q2, and Q3 financial statements, as well as monthly operation	V  V  V		(1) The Company has established a corporate website. Disclosed information can also be found on the Market Observation Post System.  (2) The Company's website is available in Traditional Chinese and English. The Company has designated a unit responsible for the collection and disclosure of company information and implemented a spokesperson system.  (3) Except the report annual financial statements has been announced before the specified deadline, and publish and report its financial reports for the first, second and third quarters as well as its operating status for each month before the specified deadline.	None



### III. Corporate Governance

Item	Implementation Status			Reason for Non-implement																
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results, before the prescribed time limit?																				
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		<p>(1) Employee benefits and care: In addition to following the regulations in the Labor Standards Act and related laws, the Company also established an Employee Welfare Committee to provide various subsidies and organize events. Please refer to pages 95-99.</p> <p>(2) Investor relations: The Company has established a spokesperson and shareholder service department to announce information on behalf of the Company. The Company also established an investor service area on the company website for shareholders to find information on the Company's operating status at any time.</p> <p>(3) Supplier relations and stakeholder rights: The Company maintains good relations as well as open and effective communication channels with suppliers, financial institutions, other creditors, and clients. The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights.</p> <p>(4) Directors' continued studies:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Chairman</td> <td rowspan="2">Huang, Tsong-Jen</td> <td>Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI</td> <td>3</td> </tr> <tr> <td>Digital resilience-new issues faced by directors, supervisors and senior executives</td> <td>3</td> </tr> <tr> <td rowspan="2">Director</td> <td rowspan="2">Lin, Lung-Fen</td> <td>Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI</td> <td>3</td> </tr> <tr> <td>Digital resilience-new issues faced by directors, supervisors and senior executives</td> <td>3</td> </tr> </tbody> </table>	Title	Name	Course	Hours	Chairman	Huang, Tsong-Jen	Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI	3	Digital resilience-new issues faced by directors, supervisors and senior executives	3	Director	Lin, Lung-Fen	Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI	3	Digital resilience-new issues faced by directors, supervisors and senior executives	3	None
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			<p>(5)The Company's managerial officers' participation in related corporate governance studies:</p> <table border="1"> <thead> <tr> <th>Title</th> <th>Name</th> <th>Course</th> <th>Hours</th> </tr> </thead> <tbody> <tr> <td rowspan="2">CFO, Corporate Governance Officer /Vice President</td> <td rowspan="2">Chung, Chih-Chun</td> <td>Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI</td> <td>3</td> </tr> <tr> <td>Digital resilience-new issues faced by directors, supervisors and senior executives</td> <td>3</td> </tr> <tr> <td rowspan="2">Accounting Manager</td> <td rowspan="2">Cheng, Yuan-Yih</td> <td>Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI</td> <td>3</td> </tr> <tr> <td>Digital resilience-new issues faced by directors, supervisors and senior executives</td> <td>3</td> </tr> <tr> <td></td> <td></td> <td>Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer</td> <td>12</td> </tr> </tbody> </table>	Title	Name	Course	Hours	CFO, Corporate Governance Officer /Vice President	Chung, Chih-Chun	Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI	3	Digital resilience-new issues faced by directors, supervisors and senior executives	3	Accounting Manager	Cheng, Yuan-Yih	Humanity, enterprise, high-tech talk about history and enterprise management in the era of AI	3	Digital resilience-new issues faced by directors, supervisors and senior executives	3			Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	12	
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<p>9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved. (No need to be filled in by companies that were not subject to evaluation).</p> <p>(1) The Company continues to update and optimize related information on corporate governance on the company website to provide investors with the actual operations and corporate governance of the Company.</p> <p>(2) The Corporate Social Responsibility Report in 2020 is expected to be published in the second half of 2020. The content structure of the report is prepared in accordance with the core options of the GRI Standards issued by the Global Reporting Initiative (GRI) and its reporting principles.</p>																				

### III. Corporate Governance

#### 3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

##### A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Criteria	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years' Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remarks	
			An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8	9	10			
Independent director	Huang, Jih-Tsan		V	V	V	V	V	V	V	V	V	V	V	V	V	V	3	N/A
Independent director	Cheng, Wen-Feng			V	V	V	V	V	V	V	V	V	V	V	V	V	0	N/A
Independent director	Lai, Chien-Hua			V	V	V	V	V	V	V	V	V	V	V	V	V	0	N/A

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such

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at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: not a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50% of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not been a person of any conditions defined in Article 30 of the Company Law.

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#### B. Attendance of Members at Remuneration Committee Meetings

The Compensation Committee comprised of 3 members.

A total of 1 (A) Remuneration Committee meetings of the 8th Board of Directors (commenced from June 17, 2016) were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Cheng, Huang-Yen	1	0	100%	
Committee Member	Huang, Jih-Tsan	1	0	100%	
Committee Member	Cheng, Wen-Feng	1	0	100%	

A total of 5 (A) Remuneration Committee meetings of the 9th Board of Directors (commenced from June 13, 2019) were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Cheng, Wen-Feng	5	0	100%	
Committee Member	Huang, Jih-Tsan	4	0	80%	
Committee Member	Lai, Chien-Hua	5	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified:

Meeting Dates	Contents Proposed	Resolutions of the Remuneration Committee	Handling of the resolutions of the Remuneration Committee
March 21, 2019	The 2018 director remuneration distribution plan.	Approved	Approved and referred to the Board.
	The 2018 employee remuneration distribution plan.	Approved	Approved and referred to the Board.
	The review results and bonuses of managerial officers for the second half of 2018.	Approved	Approved and referred to the Board.
	The distribution of the bonuses and annual remuneration for managerial officers of 2018.	Approved	Approved and referred to the Board.
	The 2019 KPI settings and remuneration structure for managerial officers.	Approved	Approved and referred to the Board.
June 18, 2019	Elected the Convener of Remuneration Committee	Approved	N/A
August 8, 2019	The amended institutions of remuneration for managerial officers.	Renegotiated	Renegotiated on August 16, 2019



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	The performance target setting, achievement status, and content and amount of salary compensation for managerial officers in the first half of 2019.	Renegotiated	Renegotiated on August 16, 2019
	The review results and bonuses of managerial officers for the first half of 2018.	Approved	Approved and referred to the Board.
	The amended "Procedures for the board performance evaluation".	Approved	Approved and referred to the Board.
	The amended "Procedures for distribution for directors' remuneration".	Approved	Approved and referred to the Board.
August 16, 2019	The amended institutions of remuneration for managerial officers.	Renegotiated	Renegotiated on October 22, 2019
	The performance target setting, achievement status, and content and amount of salary compensation for managerial officers in the first half of 2019.	Approved	Approved and referred to the Board.
October 22, 2019	The amended "Remuneration Committee Charter".	Approved	Approved and referred to the Board.
	The amended institutions of remuneration for managerial officers.	Approved	Approved and referred to the Board.
December 19, 2019	The amended institutions of remuneration for employee.	Approved	Approved and referred to the Board.

3. Scope of responsibilities for the Remuneration Committee:

- (1) Establish and perform regular reviews of the Company Director and Manager's performance targets and compensation policy, system, standards, and structure.
- (2) Regularly evaluate the Company Director and Manager's performance targets and compensation.

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#### 3.4.5 Fulfillment of CSR and Deviations from the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
1. Does the company assess ESG risks associated with its operations based on the principle of materiality, and establish related risk management policies or strategies?	V		The Company discloses and publicizes related CSR performance results on the corporate website. It also includes corporate governance, customer and supplier relations, employee relations, workplace environment, social welfare, and honest information disclosure related to CSR into the Company's "Employee Code of Conduct," "Internal Material Information Disclosure Operating Guidelines" and review the effects of implementation.	None
2. Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		The Company's Human Resources Division, Business Management Division, and its Marketing & Corporate Affairs Department are also responsible for advancing and promoting various CSR activities.	None
3. Environmental issues (1) Does the company establish proper Environmental management systems based on the characteristics of their industries?	V		(1) Although SYSTEX is in the information systems integration service industry, not manufacturing, and therefore is not part of energy-intensive industries with higher greenhouse gas emissions, it still makes the effort to reduce greenhouse gas emissions and conserve energy. The Company established eco-friendly policies, with measures like energy efficiency and carbon reduction, green purchasing, buying and renting energy-efficient or power-efficient products from makers with Green Mark certification to reduce stress on the environment. The Company also changes or improves energy inefficient equipment and promotes energy conservation every year.	None
(2) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		(2) Improve recycling efforts a. Managing office paper use: Papers that do not contain confidential or personal information are recycled and reused. Employees should be reminded of the importance of conserving paper, print on both sides whenever possible, and reuse paper that has only been used on one side. Documents with personal or confidential information are periodically gathered and recycled through pulping after approval from the supervisor,	

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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
(3) Does the company evaluate the potential risks and opportunities in climate change with regard to the present and future of its business, and take appropriate action to counter climate change issues?	V		<p>which complies with regulations in the Personal Information Protection Act as well as eco-friendly resource recycling principles.</p> <p>b. Disposing defunct computers: Following relevant information security and property management regulations, data storage devices are degaussed and physically destroyed before being disposed of through a professional recycling service to prevent data leaks and comply with the principles of information waste reduction, treatment, pollution prevention, and reuse.</p> <p>(3) In response to the potential risks and opportunities that climate change poses to corporations at present and in the future, the Company not only increased property insurance on real estate properties and equipment, but also followed government policies geared towards conserving energy and reducing carbon emissions, implementing green purchasing to reduce factors that might damage our planet's climate.</p>	
(4) Does the company take inventory of its greenhouse gas emissions, water consumption, and total weight of waste in the last two years, and implement policies on energy efficiency and carbon dioxide reduction, greenhouse gas reduction, water reduction, or waste management?	V		<p>(4) The Company will continue to improve office electricity use, water use, materials, and greenhouse gas emissions while actively following the Environmental Protection Administration's policies on greenhouse gas reduction, energy efficiency, and carbon reduction.</p> <p>a. Office paper: The Company educates employees on recycling waste paper whenever possible and adopts systematic and digitized forms to replace paper application forms. The Company rents eco-friendly printers and purchases printing paper with Green Mark certification. Total paper usage in 2019 was 2,886,075 sheets, down 1,863,234 sheets compared to the 4,749,309 sheets used in 2018.</p> <p>b. Water resources: The Company headquarters uses sensor taps and regulates toilet flush volume to conserve water. Water conservation slogans are hung up in the pantry as a constant reminder for employees to save water and do their part for our planet. Compared with 2018, the total water bill in 2019 was reduced by NT\$25,764, water usage decreased by 2,571 kilolitres, and monthly average water usage fee per person (month/person/NTD) decreased from NT\$19 to NT\$17.</p> <p>c. Office waste: Office waste is properly sorted and a cleaning company is contracted to collect waste and recycling data each month, reducing pollution</p>	

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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
			<p>to the environment.</p> <p>d. Greenhouse gas emissions:</p> <p>(a) Employees are encouraged to commute to work through public transportation to reduce air pollution and carbon emissions in Neihu Technology Park.</p> <p>(b) SYSTEX has offices in northern, central, and southern Taiwan. The Company utilizes the Internet and remote conferences for employees at different offices to hold meetings and organize training, reducing unnecessary business travel, air pollution, and carbon emissions.</p> <p>e. Energy management and energy-saving measures:</p> <p>(a) The Company conducts periodic air duct checks and ventilation cleaning, and adjusts the air conditioning temperature, setting it to no lower than 25 - 26 degrees Celsius. In 2019, SYSTEX Neihu headquarters continued to upgrade air conditioning on certain floors with variable frequency pumps that conserve energy and reduce energy consumption.</p> <p>(b) Traditional tube lights are replaced with T5 energy-saving lights. The Company promotes a power-saving hour during lunch break and encourages employees to turn off non-essential electricity before taking long holidays.</p> <p>(c) SYSTEX added signs labeling the number of calories burned and health slogans to the stairway of its Neihu building to encourage employees to take the stairs more and take part in the effort to save energy, reduce carbon, and improve health.</p> <p>(d) Highly efficient eco-friendly energy-saving LED lighting is used for the fire alarm, evacuation, and emergency exit lighting in Systex's Neihu building.</p> <p>(e) SYSTEX offices throughout Taiwan consumed a total of 9,427,483kWh of electricity in 2019 (equal to 5,024.848 metric tons of CO2 emissions), which was 123,490kWh lower than the 9,550,973kWh consumed in 2018 (equal to 5,090.668 metric tons of CO2 emissions). In other words, CO2 emissions were decreased by 65.82 metric tonnes, or 1.29% from 2018 due to an increase in the number of employees, offices, and increased equipment usage, overall electricity usage showed less significant</p>	

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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
			decrease.	
4. Social issues				
(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(1) The Company has established work rules in compliance with labor laws and relevant HR regulations, incorporating the spirit and principles of international human rights conventions such as the UN's Universal Declaration of Human Rights to protect the basic rights of employees.	None
(2) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	V		(2) The Company has a more generous leave program than what is required by the Labor Standards Act and provides a comfortable and healthy work environment and facilities for employees to use (including exercise or recreational facilities like a gym or badminton court), while the Employee Welfare Committee plans employee-related benefit measures. The Company's remuneration policy is "high performance, high contribution, and high remuneration". Remuneration standards are periodically reviewed, with flexible bonus structures for each position. The goal is to create bonus programs that improve company operations, team performance, and individual performance.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	V		(3) The Company conducts a "fire safety equipment inspection report" once every year to ensure the effectiveness of fire safety equipment in the building. The Company also organizes fire safety education and training every six months to enhance the education of fire safety and the management of workplace safety. The Company submits a report on the maintenance of the building every two years to ensure its safety. The Company also appoints general physicians to provide employees with consulting services every two months and educate employees on the correct way of seeking medical treatment. The building is equipped with automated external defibrillator (AED) to respond to sudden cardiac arrests and the Company provides periodic CPR and other first aid education.	
(4) Does the company provide its employees with career development and training sessions?	V		(4) The Company has developed comprehensive internal training courses planned according to the Company's organizational strategies and employees' personal development needs, providing diverse courses such as newcomer training, leadership and management, technical development, marketing and sales,	

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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
(5) Do the company's products and services comply with relevant laws and international standards in relation to customer health and safety, customer privacy, and marketing and labeling of products and services, and are relevant consumer protection and grievance procedure policies implemented?	V		<p>personal performance, key talent cultivation, as well as expert lectures, and the Intern School. The Company provides employees with training and test-fee subsidies for professional technical certifications (e.g.: International Project Management Professional PMP) Course packages for professional certification training or tests are also provided, with fees being subsidized by the Company. An annual inventory of key talents is conducted to arrange appropriate learning plans and make personal career development plans according to different job requirements. Though diversified training methods, employees can choose the most appropriate learning method to stay competitive.</p> <p>(5) The Company is a leading company in Taiwan's information service industry that places a high value on the protection of consumer rights in procedures including the provision, establishment, management, maintenance, and operations of information services. The Company provides comprehensive systems and complaint procedures for each operating method and service procedure derived from various products and services in order to protect consumer rights. For instance, a customer service center was established for financial-related products while an online service and support center was established for product and system maintenance to provide high-quality customer support. The Company also actively introduced international certification and standards such as the ISO 9001 quality management systems certification, ISO 27001 information security management system certification, ISO 22301 business continuity management system certification, and BS 10012 personal information management system certification. To enhance information security management and ensure data, systems, equipment, and network security, as well as personnel security, legal compliance, customer interests, protection of personal information, etc.</p>	
(6) Does the company implement supplier management policies, requiring suppliers to observe relevant regulations on environmental protection, occupational health and safety, or	V		<p>(6) Starting in 2019, companies must sign the "Supplier Honesty and Integrity Commitment" in order to become a new supplier for the Group. The Company has developed a "Systex Partner" app, which is available for suppliers to download and includes information such as the "Supplier CSR Guidelines" and "Supplier Joint Declaration". As of 2019, over 400 suppliers have signed the commitment to work with Systex, and as of December 2019, over 200 suppliers</p>	

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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
labor and human rights? If so, describe the results.			have downloaded the "SYSTEX Partner" App, and have followed supplier CSR guidelines and the joint declaration. Going forward, existing suppliers with data maintenance needs will also be required to sign the "Supplier Honesty and Integrity Commitment" and download the "SYSTEX Partner" App, in hopes of bringing positive impact to suppliers through purchasing actions. When selecting new suppliers, the Company should consider not only project requirements, but also the supplier's order volume, service, quality, delivery date, and sustainability, as well as the supplier's integrity. The Company reviews the list of outstanding suppliers each year, and employees involved in purchasing can recommend suppliers to be added to the review. Outstanding suppliers are reviewed with rigorous inspection methods.	
5. Does the company reference internationally accepted reporting standards or guidelines, and prepare reports that disclose non-financial information of the company, such as corporate social responsibility reports? Do the reports above obtain assurance from a third party verification unit?	V		The Corporate Social Responsibility Report in 2020 is expected to be published in the second half of 2020. The content structure of the report is prepared in accordance with the core options of the GRI Standards issued by the Global Reporting Initiative (GRI) and its reporting principles.	None
6. Describe the difference, if any, between actual practice and the corporate social responsibility principles, if the company has implemented such principles based on the Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies: N/A				
7. Other useful information for explaining the status of corporate social responsibility practices: (1) Community participation, social contribution, social service, and social welfare: a. The Company continued to host the "Coding Seeds Camp" (CSC) in 2019. SYSTEX organizes practical elementary/junior high/high school/college level coding classes for the children of clients and employees to inspire their interest in software coding, providing the environment and resources to cultivate software engineering thinking and programming skills early on; The process of learning programming can help children develop skills for independent study, innovation, and practical problem-solving, sowing the seeds for future software professionals in Taiwan. 2019 project results: Opened advanced courses Pepper Robot, Computational Thinking in Board Games, and App Inventor, beginner/advanced Python courses, and the Design Thinking Workshop, for a total of 64 learning hours and 187 participants. b. The Company continued to organize the 2019 "YTP Young Turing Program" (YTP: Young Turing Program): With the focus on discovering high school software talent and providing scholarships and connections to university resources from an industry applications angle to encourage young students in Taiwan to join the software industry, to dare them to innovate, start their own businesses, and raise the quality of Taiwan's software industry and bolster Taiwan's strength in software. In 2019, a total of 285 students from all around Taiwan applied for the preliminary competition, of which 156 students made it into the second round and the programming challenge camp; 30				

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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
			<p>conducted hands-on projects under the guidance of computer science professors from National Taiwan University, National Cheng Kung University, and National Taiwan University of Science and Technology with blockchain, AI deep learning, and AI image recognition as research directions.</p> <p>c. The Company continue to host the 2019 "SYSTEX Elite Internship" (SEI) The program provides workplace experience and a learning environment from a student-centric perspective for them to understand the actual business model in the information services industry. 2019 project results: Provided 52 internship positions, which were filled by students with IT-related majors from 29 universities around Taiwan. The Company invited executives and experts with a wealth of real-world experience to give lectures around the theme of "data operation intelligence", organizing a series of data analysis and industry application courses, all taught by high-level managers. The internship process will be guided by mentors, and the Company will arrange for students to visit corporations such as Microsoft Taiwan. Systex created an internship platform and environment to cultivate outstanding talent in the software industry for Systex and our customers!</p> <p>d. The Company continued to provide high school and university visits in 2019: Learning about corporate culture and industry trends through visiting alumni can help students learn about the workplace and start planning for their careers. 2019 project results: The program was rolled out in 27 schools, and a total of 737 students participated.</p> <p>e. In 2019, the Company continued to execute the AGP (AI+ Generator Program): Starting with core competencies, SYSTEX helps match AI startup teams with industry customers, accelerates plans for product/market fit development, and combines internal and external resources to support AI startup teams, helping them find their first industry clients, and helping clients find practicable AI applications. Systex Information leverages its over 30 thousand industry clients, 50 experienced managers and outside experts, 50 AI ecosystem partners, and the AI+Lab computing platform to accelerate world-level AI application development with startup teams. 2019 project results: Systex selected 8 startup teams and helped them connect with 55 clients. At least 6 industry match-up events were held, including the World Café forum, a talk on OEM agency and distribution know-how, overseas distribution seminars, press events, and AGP talk. At least 7 internal and external lecturers were invited to provide consultation and assistance. Leading French FinTech startup accelerator Le Swave (Paris &amp; Co) also came to Taiwan to attend the events.</p> <p>f. ASP (AI+ School Program): 1. Upholding its mission to cultivate "software crossover talent in Taiwan," SYSTEX Group organized ASP courses in 2019, designing courses aimed at helping software technicians learn "industry know-how in AI applications." The course is taught over 7 weeks (a total of 48 hours), focusing on 4 major themes: AI, crossover software and market, industry application, and seminars, strengthening the trainees' industry know-how and helping them crossover to various field of AI applications. With Systex Group's over 30,000 industry clients sharing their experience and lectures from external experts from industry, government, academia, and research sectors to amplify the power of "AI ecosphere integration applications," trainees can attend the course free of charge. Upon completing the course, SYSTEX Group will issue them an "AI for Digital Transformation Strategic Planner" certificate. 2019 results: Systex gathered 30 internal and external experts to teach courses. Two times for the courses were organized, and 74 trainees completed their studies and project reports.</p> <p>g. AI4SG (AI for Social Good) Award: Systex Group called out to institutions or individuals that shared their vision to select successful cases that have achieved the 3 big factors behind AI4SG: Examples of sustainable development goals (SDGs), AI methods, and effective action. Prize money is given to organizations or individuals that have made significant contributions to social value ecospheres as an incentive or a way to expand influence. Selection criteria: Candidates are selected based on four criteria: sustainability (concrete measures or specific long-term blueprint for sustainable operation), influence (what positive changes the candidate can bring to stakeholders or how the candidate can influence their ecosphere), scale (whether some operational structures or systems can be replicated or expanded, or whether there is potential for sustained scale production), and action (whether actions have been taken based on analysis,</p>	



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Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
			<p>observations, and predictions, or whether automation has been considered).</p> <p>Results A total of 4 case awards and 1 special contribution award was given out on January 15, 2019, namely the (a) Economic Growth Award: Flow, Inc. - AI data processing services; (b) Social Advancement Award: Legal Aid Foundation - using AI to improve the quality of legal aid; (c) Environmental Protection Award: Taiwan Environmental Information Association - analysis of potential heavy metal pollution in agricultural land; (d) Government Model Award: New Taipei City Government High-Risk Family Service Management Center - integrated safety net and Big Data warning system for high-risk families; (e) Special Contribution Award: DSP - D4SG Data Hero Program.</p> <p>(2) Worker health and energy</p> <p>a. SYSTEX continued to provide annual health checkups in 2019: The Company raised the budget for health checks. All checks are now conducted at one of 11 designated hospitals. 1,891 employees received the health checks, bringing the health check rate to 77.8%; 821 questionnaires were distributed, and 91.8% of employees were satisfied with their checkup. Additional care and follow-up services are provided for employees with abnormal symptoms or potential risks.</p> <p>b. "Happy Family, Healthy Life" Seminars: To promote work-life balance, the Company organized 15 "Happy Family, Healthy Life" seminars, which were attended by a total of 434 people in 2019.</p> <p>c. Group-wide 3 on 3 basketball: Held to encourage employees to take care of their health and strengthen their bodies through ball games. By holding these basketball games, the Company strengthens its care for employees' health and encourages more employees to exercise. 2019 project results: A total of 55 teams signed up, and a total of 306 people participated.</p>	
8.			Please provide further description for company product or corporate social responsibility report which is certified by relevant organization: None.	

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#### 3.4.6 Fulfillment of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company have a Board-approved ethical corporate management policy and stated in its regulations and external correspondence the ethical corporate management policy and practices, as well as the active commitment of the Board of Directors and management towards enforcement of such policy?</p> <p>(2) Does the company have mechanisms in place to assess the risk of unethical conduct, and perform regular analysis and assessment of business activities with higher risk of unethical conduct within the scope of business? Does the company implement programs to prevent unethical conduct based on the above and ensure the programs cover at least the matters described in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEX Listed Companies?</p>	V		(1) The Company has established the "Ethical Corporate Management Best Practice Principles" to assist the Company in fostering a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices. And invite directors and senior managers to sign follows the integrity management policy statement.	None
	V		(2) The "Employee Code of Conduct" was established for the employees to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business. And there is dishonesty in the "Ethical Corporate Management Best Practice Principles" behavioral risk assessment mechanism, regularly analyze and evaluate Business activities with a higher risk of dishonesty are based on which a prevention plan is formulated And regularly review the appropriateness and effectiveness of the prevention plan.	

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Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(3) Does the company provide clearly the operating procedures, code of conduct, disciplinary actions, and appeal procedures in the programs against unethical conduct? Does the company enforce the programs above effectively and perform regular reviews and amendments?	V		(3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" for the employees to maintain principles of honesty and integrity when conducting business and abide by laws and regulations while complying with professional code of conduct. The Company also established the "Employee Code of Conduct" to convert the Company's business ideals and values into institutionalized regulations.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?  (2) Does the company have a unit responsible for ethical corporate management on a full-time basis under the Board of Directors which reports the ethical corporate management policy and programs against unethical conduct regularly (at least once a year) to the Board of Directors while overseeing such operations?  (3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V  V  V		(1) Before conducting transactions, the Company shall assess the legitimacy of the transaction counterparty and consider whether it has prior records that are unethical. The Company maintains business ideals of honesty and integrity and it has established sound corporate governance and risk management mechanisms to be implemented in internal management and external business activities.  (2) The Company's various functional departments promote ethical corporate business ideals and supervise one another through organizational arrangements. The Audit Division is responsible for day-to-day implementation of various internal auditing tasks. Board resolution passed Set up the "Integrity Management Committee" under the Board of Directors, responsible for integrity. The formulation and supervision of operating policies and preventive measures are expected to be report to the board of directors in December. The committee members are composed of chief of staff and CHO, CFO, commercial supervisors, and legal supervisors will serve as the chief of staff for each meeting. The meeting was chaired by the chief of staff.  (3) The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time. The email of the Audit Committee is also	None

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Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(4) Does the company have effective accounting and internal control systems in place to implement ethical corporate management? Does the internal audit unit follow the results of unethical conduct risk assessments and devise audit plans to audit the systems accordingly to prevent unethical conduct, or hire outside accountants to perform the audits?	V		<p>established on the company website as a channel for stakeholders to provide suggestions or file complaints.</p> <p>(4) The Company established its accounting system and internal control system in compliance with regulations. The Audit Division established the Enforcement Rules of Internal Auditing and uses the Rules to implement and evaluate the current control systems, the effectiveness of procedures, and the compliance system.</p> <p>The internal auditing unit should establish relevant audit plans following the results of risk assessments for unethical behavior. The plans should include audit target, scope, items, and frequency, and used to audit compliance with prevention programs. Accountants can be tasked with the audit, and, if necessary, professionals could be hired to provide their assistance. The results of audits should be reported to high-level management and the Ethical Corporate Management Committee and compiled into audit reports for the Board of Directors.</p> <p>The Audit tasks mainly include audit plans approved by the Board of Directors as well as project auditing or review in accordance with requirements. The internal audit and review of the self-inspections conducted by various units and results of comprehensive self-inspections are reported to the Board of Directors as evaluation of the effectiveness of the overall internal control system and the basis of the submission of the Statement of Internal Control System.</p>	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		<p>(5) The Company conducts education and training for employees and announces the "Employee Code of Conduct" on the Company's internal website. The Company also notifies each employee through mail each month to remind them to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business. At the same time, Systex conducts an online test for all employees every 4 months on the case description model of honest operation, with digital courses for those that fail to pass to strengthen employees' attention and requirement of honest and legal operation.</p>	

### III. Corporate Governance

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
			<p>The contents of the implementation in 2019 are as follows:</p> <p>a. SYSTEX educates new managers on ethical corporate management principles, risk management, and legal compliance as part of their training. The company has so far trained 306 people with 6,088 total training hours.</p> <p>b. Each year, SYSTEX educates managerial officers and employees on its “Internal Material Information Disclosure Operating Guidelines”. To remind everyone of what they should pay attention to before and after receiving major information to avoid violating laws and regulations, the Company has compiled notes and case studies of insider training for employees to read and be tested on, so that employees stay well informed about relevant regulations.</p> <p>c. The Company conducts monthly “Employee Code of Conduct” training using case studies from the news. This program includes both domestic and overseas subsidiary companies. A total of 39,107 employees have taken part in the training as of 2019.</p> <p>d. SYSTEX conducts at least three “Ethical Corporate Management Best Practice Principle” training and exam each year to fully educate employees on ethical corporate management ideals. As of 2019, 8,296 people have taken part in the training.</p> <p>e. An online “Ethical Corporate Management &amp; Code of Professional Ethics” course was added in November 2019 to give additional training to employees that did not pass training exams.</p> <p>f. Every year, the directors are regularly announced the principles of integrity management of the company.</p>	
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	V		<p>(1) The company’s integrity management committee has a dedicated independent reporting mailbox to provide inspection It is handled by a dedicated person, all complaints are completely confidential, and It is verified by an independent pipeline to protect the whistleblower.</p>	None

### III. Corporate Governance

Item	Implementation Status			Reason for Non-implementation
	Yes	No	Summary Description	
(2) Does the company have in place standard operating procedures for investigating accusation cases, as well as follow-up actions and relevant post-investigation confidentiality measures?	V		(2) The Company has established the "Employee Code of Conduct" and provides complete confidentiality for whistleblowers and reported items. The Company has established follow-up measures to be taken after a reported case is investigated depending on the severity of the situation. If necessary, the case should be reported to governing authorities or given to judicial investigation.	
(3) Does the company provide proper whistleblower protection?	V		(3) The company protects the identity of whistleblowers from inappropriate treatment and threats that may arise from the report.	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	V		(1) The Company discloses its ethical business policies in the internal regulations, corporate website, and annual reports.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation? There have been no differences.				
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies? (1) The Company's "Rules of Procedures for Board of Directors Meetings" stipulates a recusal system for avoiding conflict of Directors' interests. Directors shall uphold a high level of self-discipline and in the event of a conflict of interest as Director or as a representative of an institutional entity with respect to a specific matter on the agenda that could potentially damage company interests, the Director may not take part in the discussion and voting processes nor represent any other Director during voting. (2) The Company's "Internal Material Information Disclosure Operating Guidelines" established regulations on the confidentiality of confidential information obtained in business activities to prevent inappropriate leaks of information.				

## III. Corporate Governance

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### 3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at [www.systemx.com](http://www.systemx.com).

### 3.4.8 Other Important Information Regarding Corporate Governance

A. The Company has established the "Internal Material Information Disclosure Operating Guidelines" to prevent inappropriate disclosure when the Company's Directors, managerial officers or employees process or disclose material information and maintain consistency and accuracy in disclosure of information. The main contents are:

- (a) Applicable targets, scope of internal material information, and entities responsible for implementation.
- (b) Operating procedures for keeping internal material information confidential.
- (c) Operating procedures for disclosing internal material information.
- (d) Processing irregularities and violations.

The "Internal Material Information Disclosure Operating Guidelines" have been passed by the Company's Board of Directors in a resolution and announced on the Company's internal website.

To implement the Company's spokesperson system and confidentiality of internal material information, the Company has established the "Internal Material Information Disclosure Operating Guidelines" and the "Internal Material Information Confidentiality Firewall Operating Guidelines" which are also announced on the Company's internal website.

B. Other Important Information Regarding Corporate Governance: please refer to pages 45-49 of "Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" No.8.

## III. Corporate Governance

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### 3.4.9 Internal Control System Execution Status

#### A. Statement of Internal Control System

Please refer to page 47 of the Chinese annual report.

B. If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.11 Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures: None.

### 3.4.10 Major Resolutions of Shareholders Meeting and Board Meetings

#### A. Important resolutions from the annual shareholders' meeting on June 13, 2019 and current status:

- (a) Ratified the business report and the financial statements for 2018.
- (b) Ratified the earnings distribution proposal for 2018.
- (c) Approved the proposal for distributing cash dividend from the Company's Capital Surplus.
- (d) Approved the amendment to the "Articles of Incorporation".
- (e) Approved the amendment to the "Procedures for the Acquisition and Disposal of Assets".
- (f) Approved the amendment to the "Procedures for Loaning of Funds".
- (g) Approved the amendment to the "Procedures for Making of Endorsements and Guarantees".
- (h) Elected thirteen Directors.
- (i) Released the non-competition restriction on directors.

Review of the current status of the implementation of resolutions:

- (a) The 2018 earnings distribution proposal and the proposal for distributing cash dividend from from the Company's Capital Surplus have been carried out and all dividends have been distributed to shareholders on July 25, 2019 after the resolution in the annual shareholders meeting.
- (b) The amendment to the "Articles of Incorporation", "Procedures for the Acquisition and Disposal of Assets", "Procedures for Loaning of Funds", "Procedures for Making of Endorsements and Guarantees" has been implemented after the approval of the shareholders meeting.
- (c) Completed the election of the 9th Board of Directors.

#### B. Important resolutions of Board meetings in 2019 and during the current fiscal year up to the date of publication of the annual report:

##### (a) March 21, 2019:

- i. Approved the "Statement of Internal Control System" for 2018.
- ii. Approved the amended "Internal Control System".
- iii. Approved the business report and the financial statements for 2018.
- iv. Approved the 2018 earnings distribution proposal.
- v. Approved the proposal for distributing cash dividend from the Company's Capital Surplus.
- vi. Approved the 2018 employee remuneration distribution plan.
- vii. Approved the 2018 director remuneration distribution plan.
- viii. Approved the amended "Corporate Governance Best Practice Principles".
- ix. Approved the amended "Standard Procedures for handling directors' requirements".
- x. Approved the amended "Articles of Incorporation".
- xi. Approved the amended "Procedures for the Acquisition and Disposal of Assets".
- xii. Approved the amended "Procedures for Loaning of Funds".
- xiii. Approved the amended "Procedures for Making of Endorsements and Guarantees".
- xiv. Approved elected the 9th Board of Directors at the 2019 general shareholders' meeting.
- xv. Approved the 9th Board of Directors of candidate list.
- xvi. Approved the non-competition restriction on directors.
- xvii. Approved the proposed calling of 2019 general shareholders' meeting.



### III. Corporate Governance

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- xviii. Approved the independence of elected visa accountants.
  - xix. Approved the review results and bonuses of managerial officers for the second half of 2018.
  - xx. Approved the distribution of the bonuses and annual remuneration for managerial officers of 2018.
  - xxi. Approved the 2019 KPI settings and remuneration structure for managerial officers.
- (b) May 2, 2019:
- i. Approved the candidates of Independent Directors with the qualification requirements.
  - ii. Approved the endorsement guarantee for Rainbow Tech Information (HK) Ltd.
- (c) June 13, 2019:
- i. Election of the Company's Chairman.
  - ii. Approved the proposal for the establishment of an Audit Committee as a functional committee under the Board of Directors.
  - iii. Approved the proposal for the establishment of a Remuneration Committee as a functional committee under the Board of Directors.
- (c) August 8, 2019:
- i. Approved the amended "Internal Control System".
  - ii. Approved the amended "Procedures for the board performance evaluation".
  - iii. Approved the endorsement guarantee for Rainbow Tech Information (HK) Ltd.
  - iv. Approved the endorsement guarantee for Systex Software & Service Corp.
  - v. Approved the endorsement guarantee for Systex Group (China) Ltd.
  - vi. Approved the amended "Procedures for distribution for directors' remuneration".
  - vii. Approved the remuneration for members of the Remuneration Committee.
- (d) November 7, 2019:
- i. Approved the subsidiary Syscore Corp. invested subsidiary Syslink Corp. by cash.
  - ii. Approved the amended "Remuneration Committee Charter".
  - iii. Approved the amended institutions of remuneration and performance evaluation for managerial officers.
  - iv. Approved the review results of management team and the distribution of bonuses for the first half of 2019.
- (e) December 19, 2019:
- i. Approved the Audit program for 2020.
  - ii. Approved the amended "Internal Control System".
  - iii. Approved the consolidated operating budget for 2020.
  - iv. Approved the Company's financing loan credit line contract with financial institutions.
  - v. Approved the endorsement guarantee for Systex Group (China) Ltd.
  - vi. Approved the review results of the independence of visa accountants.
  - vii. Approved the amended institutions of remuneration and performance evaluation.
- (f) March 19, 2020:
- i. Approved the "Statement of Internal Control System" for 2019.
  - ii. Approved the business report and the financial statements for 2019.
  - iii. Approved the 2019 earnings distribution proposal.
  - iv. Approved the 2019 employee remuneration distribution plan.
  - v. Approved the 2019 director remuneration distribution plan.
  - vi. Approved the amended "Articles of Incorporation".
  - vii. Approved the amended "Rules of Procedures for Shareholders Meetings".
  - viii. Approved the amended "Corporate Governance Best Practice Principles".
  - ix. Approved the amended "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and the establishment of Ethical Corporate Management Committee.
  - x. Approved the amended "Remuneration Committee Charter".

## III. Corporate Governance

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- xi. Approved the amended "Audit Committee Charte".
  - xii. Approved the amended "Rules of Procedure for Board of Directors Meetings".
  - xiii. Approved the proposed calling of 2020 general shareholders meeting.
  - xiv. Approved the appointment of Corporate Governance Officer.
  - xv. Approved the endorsement guarantee for Systex Group (China) Ltd. by Systek Information (Shanghai) Ltd.
  - xvi. Approved the review results and bonuses of managerial officers for the second half of 2019.
  - xvii. Approved the distribution of the bonuses and annual remuneration for managerial officers of 2019.
  - xviii. Approved the 2020 KPI settings and remuneration structure for managerial officers.
- (g) May 2, 2019:
- i. Approved adjustment of the agenda for 2020 general shareholders meeting.

3.4.12 Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.4.13 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance Officer and R&D: None.

### III. Corporate Governance

#### 3.5 Information Regarding the Company's Audit Fee

##### Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	Kuo, Cheng-Hung	2019.01.01~2019.12.31	

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			V	
2	NT\$2,000,00 ~ NT\$4,000,000				
3	NT\$4,000,00 ~ NT\$6,000,000		V		V
4	NT\$6,000,00 ~ NT\$8,000,000				
5	NT\$8,000,00 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	5,500	-	-	-	50	50	2019.01.01~2019.12.31	
	Shue, Shiow-Ming								

## III. Corporate Governance

### 3.6 Information Regarding the Replacement of CPA

#### 3.6.1 Regarding the former CPA

Replacement Date	January 1, 2019		
Replacement reasons and explanations	The internal adjustment of accounting firms.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	Unqualified opinion		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

#### 3.6.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche Accounting Firm
Name of CPA	Lin, Shu-Wan; Kuo, Cheng-Hung
Date of appointment	January 1, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

### 3.7 Audit Independence

If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

### III. Corporate Governance

#### 3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2019		As of April 20, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Huang, Tsong-Jen	-	-	-	-
Director/ Manager	Lin, Lung-Fen	-	-	-	-
Director/ Manager	Cheng, Deng-Yuan	(50,000)	-	-	-
Director	Lu, Ta-Wei	-	-	-	-
Director	Shaw, Shung-Ho	-	-	-	-
Director	Hsieh, Chin-Ho	-	-	-	-
Director	Huang, Ting-Rong	-	-	-	-
Director	Huang, Chi-Rong	-	-	-	-
Director	Joway Investment Co.,Ltd	-	-	-	-
Director Representative	Lin, Chih-Min	-	-	-	-
Director Representative	Wu, Cheng-Huan (Note 1)	-	-	-	-
Director Representative	Huang, Yi-Shiung (Note 2)	-	-	N/A	N/A
Independent Director	Huang, Jih-Tsan	-	-	-	-
Independent Director	Cheng, Wen-Feng	-	-	-	-
Independent Director	Lai, Chien-Hua (Note 1)	-	-	-	-
Independent Director	Cheng, Huang-Yen (Note 2)	-	-	N/A	N/A
Manager	Chung, Chih-Chun	-	-	-	-
Manager	Huang, Yu-Jen	-	-	-	-
Manager	Yang, Shih-Chung	-	-	-	-
Manager	Fan, Jee-Der	-	-	-	-
Manager	Su, Kou-Lin	-	-	-	-
Manager	Chang, Huang-Yu	-	-	-	-
Manager	Yeh, Chen-Min	-	-	-	-
Manager	Chang, Ying-Chin	-	-	-	-
Manager	Lin, Wen-Kuei	(32,000)	-	-	-
Manager	Hsiao, Wei-Chun	-	-	-	-
Manager	Pan, Tieh-Yi	-	-	-	-
Manager	Wu, Wen-Shuen	(91,000)	110,000 (110,000)	-	-
Manager	Tao, Yea-Kuan	-	-	-	-
Manager	Tang, Yin-Soon	-	-	-	-

### III. Corporate Governance

Title	Name	2019		As of April 20, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Manager	Tsai, Chun-Hsiung	-	-	-	-
Manager	Cheng, Yuan-Yih	-	-	-	-
Major Shareholders	None	N/A	N/A	N/A	N/A

Note 1: The term has commenced on June 13, 2019.

Note 2: The term has expired on June 12, 2019.

#### 3.8.1 Shares Trading with Related Parties

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Manager Lin, Wen-Kuei	Given	2019.04.16	Lin, Chia-Wei	Adult child	32,000	N/A

3.8.2 Shares Pledge with Related Parties: None.

### III. Corporate Governance

#### 3.9 Relationship among the Top Ten Shareholders

As of April 20, 2020

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hanmore Investment Corp. Chairman: Wu, Cheng-Huan	21,316,678	7.91	-	-	-	-	Huang, Tsong-Jen	Related party in substance	
Joray Co., Ltd. Chairman: Lai, Yung-Sung	21,072,559	7.82	-	-	-	-	Huang, Tsong-Jen	Related party in substance	
Huang, Tsong-Jen	20,755,750	7.70	2,008,634	0.75	-	-	Ching Pu Investment Corp.	Chairman	
							Asiavest Capital Co., Ltd.	Chairman	
							Joray Co., Ltd.	Related party in substance	
							Hanmore Investment Corp.	Related party in substance	
Chunghwa Post Co., Ltd. Chairman: Wei, Chien-Hung	12,516,000	4.65	-	-	-	-	-		
Ching Pu Investment Corp. Chairman: Huang, Tsong-Jen	10,981,476	4.08	-	-	-	-	Huang, Tsong-Jen	Chairman	
Yu Yeh Investment Corp. Chairman: Wan, Chia-Chen	7,108,000	2.64	-	-	-	-	-	-	
Tsai Hsun Investment Corp. Chairman: Su, Kun-Yu	4,228,454	1.57	-	-	-	-	-	-	
ISHARES Emerging Markets Dividend ETF	4,123,000	1.53	-	-	-	-	-	-	
Chin Yuan Fa Investment Corp. Chairman: Tai, Tzu-Shan	3,646,321	1.35	-	-	-	-	-	-	
Asiavest Capital Co., Ltd. Chairman: Huang, Tsong-Jen	3,500,000	1.30	-	-	-	-	Huang, Tsong-Jen	Chairman	

## III. Corporate Governance

### 3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ % As of December 31, 2019

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Kimo.com (BVI) Corp.	10,500,000	100.0	0	0	10,500,000	100.0
System Capital Group, Inc.	550	100.0	0	0	550	100.0
Ching Pu Investment Corp.	15,000,000	100.0	0	0	15,000,000	100.0
System Software & Service Corp.	54,450,000	100.0	0	0	54,450,000	100.0
Taifon Computer Co., Ltd.	20,000,000	100.0	0	0	20,000,000	100.0
Golden Bridge Information Corp.	23,000,000	100.0	0	0	23,000,000	100.0
System Solutions Corp.	26,000,000	100.0	0	0	26,000,000	100.0
Concord System Management Corp.	23,113,372	100.0	0	0	23,113,372	100.0
Nexsys Corp.	19,995,000	100.0	0	0	19,995,000	100.0
Naturint Ltd.	2,000,000	100.0	0	0	2,000,000	100.0
ETU Corp.	9,682,000	84.2	505,000	4.4	10,187,000	88.6
Hanmore Investment Corp.	9,640,680	48.9	0	0	9,640,680	48.9
GenSys Technology (International) Limited	8,000,000	40.0	0	0	8,000,000	40.0
Systemweb Technologies Co., Ltd.	2,450,000	33.3	0	0	2,450,000	33.3
Mohist web technology Co., Ltd.	300,000	30.0	0	0	300,000	30.0
FinRobo Advisor Securities Investment Consulting Co., Ltd.	1,500,000	30.0	0	0	1,500,000	30.0
Shengsen Cloud Technology	607,272	30.0	0	0	607,272	30.0
Retail System Co., Ltd.	780,000	30.0	0	0	780,000	30.0
System Infopro Co., Ltd.	20,000	20.0	0	0	20,000	20.0
Sanfran Technology Inc.	2,114,594	12.9	0	0	2,114,594	12.9
Forg-jump Information Co., Ltd.	513,202	10.0	0	0	513,202	10.0
Genesis Technology ,Inc.	3,900,000	8.7	2,798,000	6.2	6,698,000	14.9
Syspower Corp.	900,000	4.5	15,914,470	79.6	16,814,470	84.1

Note: Affiliated enterprises have been invested by equity method.



## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

As of April 20, 2020

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2016/01	10	400,000,000	4,000,000,000	268,733,304	2,687,733,040	Employee options exercised: NT\$1,450,000	-	
2016/03	10	400,000,000	4,000,000,000	269,393,304	2,693,933,040	Employee options exercised: NT\$6,200,000	-	

##### B. Type of Stock

As of April 20, 2020

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	269,393,304	130,606,696	400,000,000	None

C. Information for Shelf Registration : None.

#### 4.1.2 Composition of Shareholders

As of April 20, 2020

Type of Shareholders \ Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	6	175	37,350	233	37,765
Shareholding (shares)	299,000	15,497,000	89,532,676	121,433,375	42,631,253	269,393,304
Holding Percentage (%)	0.11	5.75	33.23	45.09	15.82	100.00

## IV. Capital Overview

### 4.1.3 Distribution of Shareholding

#### A. Common Shares

As of April 20, 2020

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	20,980	4,885,341	1.81
1,000 ~ 5,000	13,665	26,975,790	10.10
5,001 ~ 10,000	1,621	12,693,615	4.71
10,001 ~ 15,000	472	6,033,906	2.24
15,001 ~ 20,000	276	5,084,866	1.89
20,001 ~ 30,000	252	6,480,714	2.41
30,001 ~ 50,000	169	6,892,932	2.55
50,001 ~ 100,000	142	10,003,056	3.71
100,001 ~ 200,000	78	11,185,945	4.15
200,001 ~ 400,000	40	11,233,057	4.17
400,001 ~ 600,000	17	8,203,495	3.05
600,001 ~ 800,000	13	8,809,049	3.27
800,001 ~ 1,000,000	13	11,753,538	4.36
1,000,001 or over	27	139,158,000	51.67
Total	37,765	269,393,304	100.00

#### B. Preferred Shares: None.

### 4.1.4 Major Shareholders

As of April 20, 2020

Shareholder's Name	Shareholding Shares	Percentage (%)
Hanmore Investment Corp.	21,316,678	7.91
Joray Co., Ltd.	21,072,559	7.82
Huang, Tsong-Jen	20,755,750	7.70
Chunghwa Post Co., Ltd.	12,516,000	4.65
Ching Pu Investment Corp.	10,981,476	4.08
Yu Yeh Investment Corp.	7,108,000	2.64
Tsai Hsun Investment Corp.	4,228,454	1.57
ISHARES Emerging Markets Dividend ETF	4,123,000	1.53
Chin Yuan Fa Investment Corp.	3,646,321	1.35
Asiavest Capital Co., Ltd.	3,500,000	1.30

## IV. Capital Overview

### 4.1.5 Market Price, Net Book Value, Earnings, and Dividends per Share

Unit: NT\$

Items		Year		2018	2019	Current year to March 31, 2020
Market Price per Share	Highest Market Price	Diluted		68.80	77.90	84.50
		Adjusted		68.80	77.90	-
	Lowest Market Price	Diluted		56.30	61.10	64.70
		Adjusted		56.30	61.10	-
	Average Market Price	Diluted		63.04	71.42	77.20
		Adjusted		63.04	71.42	-
Net Book Value per Share	Before Distribution			53.36	54.01	53.77
	After Distribution			53.36	54.01	-
Earnings per Share	Weighted Average Shares			245,983,453	247,296,005	247,983,453
	Earnings Per Share	Diluted		4.27	7.31	0.24
		Adjusted		4.27	7.31	-
Dividends per Share	Cash Dividends			5.00	5.00	-
	Stock Dividends	Dividends from Retained Earnings		-	-	-
		Dividends from Capital Surplus		-	-	-
	Accumulated Undistributed Dividends			-	-	-
Return on Investment	Price / Earnings Ratio (Note 1)			14.71	9.74	-
	Price / Dividend Ratio (Note 2)			12.57	14.25	-
	Cash Dividend Yield Rate (Note 3)			7.96%	7.02%	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

## IV. Capital Overview

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### 4.1.6 Dividend Policy and Implementation Status

#### A. Dividend policy

In accordance with the overall environment and the industry's characteristics of growth as well as the Company's long-term financial plans for sustainable and stable development, the Company has adopted a residual dividend policy, which requires that annual funding requirements based on the Company's future capital budget plans are duly assessed and that required funding in earnings is retained before residual earnings are distributed as dividend.

The Company distributes dividends through cash or stocks and cash dividends are prioritized. If dividends are distributed in stocks, the stock dividends shall not exceed 50% of the total dividends issued in the current year. The distribution of dividends may be dependent on the Company's current and future investment environment, funding requirements, domestic and foreign competition, and capital budgets while taking into consideration shareholder interests, balanced dividends, and the Company's long-term financial plans. The Board of Directors shall formulate dividend distribution methods or related options in accordance with the law and submit them to the shareholders' meeting for discussion and resolution.

Basically, dividends are pay out as the financial year surplus profits having paid all taxes and dues, and making good the deficit of the company, set as legal reserve and special reserve, and will reserve fund for the company's operation plan after the surplus profits, more than 50% the remain to pay dividends.

#### B. Implementation status

(1) The 2019 annual shareholders' meeting resolved to distribute NT\$1,023,694,555 in 2018 earnings and NT\$323,271,965 in capital surplus. Based on the 269,393,304 shares in external circulation, each share shall receive a cash dividend of NT\$5, the smallest unit of which is one dollar of the common currency (NT\$), decimals excluded.

(2) The 2018 earnings distribution and cash dividend from capital reserve have been distributed to shareholders on July 25, 2019.

## IV. Capital Overview

### C. The proposal for the distribution of 2019 profits for 2020 Annual Shareholders' Meeting

SYSTEX Corporation  
Earnings Distribution Proposal  
December 31, 2019

Unit: NT\$

Items	Amount	
	Subtotal	Total
Beginning unappropriated earnings		2,562,896,339
Adjustment for investments accounted for using equity method	(34,761,569)	
Remeasurement on net defined benefit plan	(40,452,000)	
Add: Net income of 2019	1,808,041,120	
Earnings available for distribution		<u>4,295,723,890</u>
Distribution items		
Legal reserve	(180,804,112)	
Special reserve	(195,622,600)	
Cash dividends (NT\$5/per share)	(1,346,966,520)	
Total distribution		<u>(1,723,393,232)</u>
Ending unappropriated		<u>2,572,330,658</u>

Chairman	Huang, Tsong-Jen
President	Lin, Lung-Fen
Accounting Manager	Cheng, Yuan-Yih

#### 4.1.7 Employee and Directors' Remuneration

##### A. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation:

In the event the Company makes a profit during the fiscal year it shall set aside no less than 0.1% of the profits for employee remuneration. The remuneration for Directors shall be no higher than 2%. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any.

The preceding employee remuneration may be paid in cash or shares, and shall be payable to employees of subsidiary companies who meet the requirements stipulated by the Board of Directors. Remuneration of directors as specified above may be distributed in cash only.

## IV. Capital Overview

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B. The basis for estimating employee and director remuneration amounts, basis for calculating the number of shares to be distributed as employee remuneration, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

In the event of a material change to the distributed amount in the Board's decision after the end of the year, adjustment that reflect the change shall be made to the originally allocated annual expenses.

C. Remuneration proposals approved by the Board of Directors:

a. Remuneration of employees and Directors shall be paid in cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed:

The Company's Board of Director's meeting on March 19, 2020 has approved the resolution to distribute NT\$58,882,836 as employee remuneration and NT\$39,255,224 as directors remuneration for the year 2019.

b. Amount of employee remuneration distributed in the form of stocks, as a percentage of the net income after taxes provided in the standalone or consolidated financial statements of the current period, and as a percentage of total employee remuneration:

Not applicable as no employee remuneration has been distributed in the form of stocks in the year 2019.

D. Discrepancies, if any, between actual distribution of employee and Directors remuneration (including the number of shares distributed, amount and stock price) and the recognized remuneration of employees and Directors and disclosure of the differences, reasons and responses:

a. Actual distribution status of employee and Directors remuneration: The Company's Board of Director's meeting on March 21, 2019 has approved the resolution to distribute NT\$34,055,828 as employee remuneration and NT\$22,703,885 as directors remuneration for the year 2018. There were no discrepancies between the distributed amount and the amount recognized in the financial report.

b. In case of any discrepancy between the proposed and recognized amounts of employee and director remuneration, the differences, reasons, and responses shall be disclosed: Not applicable.

4.1.8 Buyback of Treasury Stock: None.

4.2 Corporate Bonds: None.

4.3 Preferred share: None.

4.4 Global Depository Receipts: None.

4.5 Employee Stock Options: None.

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

## V. Operation Highlights

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### 5.1 Business Activities

#### 5.1.1 Business Scope

##### A. Main business activities

(1)F113050	Wholesale of Computing and Business Machinery Equipment	(25)F399040	Retail Business Without Shop
(2)F118010	Wholesale of Computer Software	(26)F601010	Intellectual Property
(3)F113070	Wholesale of Telecom Instruments	(27)IE01010	Telecommunications Number Agencies
(4)F113020	Wholesale of Household Appliance	(28)I103060	Management Consulting Services
(5)F113110	Wholesale of Batteries	(29)JE01010	Rental and Leasing Business
(6)F119010	Wholesale of Electronic Materials	(30)I401010	General Advertising Services
(7)E605010	Computing Equipments Installation Construction	(31)IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
(8)JA02010	Electric Appliance and Audiovisual Electric Products Repair Shops	(32)J304010	Book Publishers
(9)J399010	Software Publication	(33)F401021	Restrained Telecom Radio Frequency Equipments and Materials Import
(10)IG02010	Research Development Service	(34)J303010	Magazine and Periodical Publication
(11)I599990	Other Designing	(35)J305010	Audio Tape and Record Publishers
(12)JZ99050	Agency Services	(36)J201031	Technique and Performing Arts Training
(13)F113030	Wholesale of Precision Instruments	(37)I501010	Product Designing
(14)E603050	Cybernation Equipments Construction	(38)I199990	Other Consultancy
(15)F401010	International Trade	(39)CC01101	Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
(16)I301010	Software Design Services	(40)F108031	Wholesale of Drugs, Medical Goods
(17)I301020	Data Processing Services	(41)F208031	Retail Sale of Medical Equipments
(18)I301030	Digital Information Supply Services	(42)CC01110	Computers and Computing Peripheral Equipments Manufacturing
(19)F213030	Retail Sale of Computing and Business Machinery Equipment	(43)CC01120	Data Storage Media Manufacturing and Duplicating
(20)F218010	Retail Sale of Computer Software	(44)CC01060	Wired Communication Equipment and Apparatus Manufacturing
(21)F209060	Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(45)CC01030	Electric Appliance and Audiovisual Electric Products Manufacturing
(22)G902011	Type II Telecommunications Enterprise	(46)CC01080	Electronic Parts and Components Manufacturing
(23)E701010	Telecommunications Construction		
(24)F213060	Retail Sale of Telecom Instruments		

## V. Operation Highlights

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(47)CB01010	Machinery and Equipment Manufacturing	(69)F106020	Wholesale of Articles for Daily Use
(48)C701010	Printing	(70)F107030	Wholesale of Cleaning Preparations
(49)C703010	Printings Bindery and Processing	(71)F107070	Wholesale of Animal Medicines
(50)F113010	Wholesale of Machinery	(72)F108040	Wholesale of Cosmetics
(51)IZ13010	Internet Identify Services	(73)F110010	Wholesale of Clocks and Watches
(52)EZ05010	Apparatus Installation Construction	(74)F110020	Wholesale of Spectacles
(53)E701030	Restrained Telecom Radio Frequency Equipments and Materials Construction	(75)F114030	Wholesale of Motor Vehicle Parts and Supplies
(54)E601010	Electric Appliance Construction	(76)F116010	Wholesale of Photographic Equipment
(55)F102170	Wholesale of Food and Grocery	(77)F117010	Wholesale of Fire Fighting Equipments
(56)F104110	Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(78)F203030	Retail Sale of Ethanol
(57)F105050	Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures	(79)F206010	Retail Sale of Ironware
(58)F109070	Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(80)F206020	Retail Sale of Articles for Daily Use
(59)F203010	Retail Sale of Food and Grocery	(81)F206050	Retail of pet food and appliances
(60)F204110	Retail Sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(82)F207030	Retail Sale of Cleaning Preparations
(61)F205040	Retail Sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures	(83)F207070	Retail Sale of Animal Medicine
(62)F208050	Retail Sale of the Second Type Patent Medicine	(84)F208040	Retail Sale of Cosmetics
(63)F102020	Wholesale of Edible Oil	(85)F210010	Retail Sale of Watches and Clocks
(64)F102040	Wholesale of Nonalcoholic Beverages	(86)F210020	Retail Sale of Spectacles
(65)F102050	Wholesale of Tea	(87)F213010	Retail Sale of Household Appliance
(66)F102180	Wholesale of Ethanol	(88)F213110	Retail Sale of Batteries
(67)F103010	Wholesale of Animal Feeds	(89)F216010	Retail Sale of Photographic Equipment
(68)F106010	Wholesale of Ironware	(90)F219010	Retail Sale of Electronic Materials
		(91)F301010	Department Stores
		(92)I301040	the third party payment
		(93)ZZ99999	All Business Items that Are not Prohibited or Restricted by Law, Except those that Are Subject to Special Approval.



## V. Operation Highlights

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### B. Revenue Mix

- (a) Sales of computer software and hardware: 74%.
- (b) Services revenue and other operating revenue: 26%.

### C. Main products and Services

SYSTEX's current products and services primarily include the following:

#### (a) Intelligent Finance:

SYSTEX entered the securities information service sector in 1989 and gained access to the international market through collaboration with Reuters in 2000. The company has extensive experience in constructing inter-regional/currency/product information and transaction platforms. SYSTEX has developed three core capabilities in "content, platform, and networks" and four major areas of expertise including quotation information, trading, operation, wealth and risk management (ITOM) to satisfy the comprehensive demands of financial clients and professional investors. The company's main business include investment and financial information in securities, futures, warrants, bonds, bills, and foreign exchange, and the product quotation and purchasing transaction systems. In recent years, the company has expanded to cloud-based financial services in overseas transactions, mobile and big data applications in the finance industry, investor community management, and other FinTech innovations.

#### (b) Intelligent Service:

Integrate competitive advantages of payment/mobile and financial/retail fields, focusing on developing "consumer market-oriented" products and services. Primary services include: E-commerce platform development, maintenance, and operations services, e-government and related mobile services, corporate mobile applications, mobile payment, banking and insurance information services, data processing and product discount advertisement applications, multi-payment billing, O2O customer guidance and electronic ticketing business/2C gifts/2B corporate gift services. The Company also provides high-value IT outsourcing services for enterprises and government agencies, including IT facilities maintenance and operations and network value-added services. We also provide large-scale customer service centers, high-end IDC and other diverse services.

#### (c) Data Technology Products and Services:

SYSTEX remains the best one-stop shop partner for corporate information systems, providing everything from the construction of information technology infrastructure to the planning, construction, operation, and management of application software systems. SYSTEX distributes world-class application software to provide corporate clients with customized and in-depth solutions, helping them achieve the goal of increasing profit, reducing costs, and analyzing and managing data. The Company also provides complete and comprehensive training materials such as professional information education training courses, online courses, and publications based on the customer's needs.

### D. New Products Planned for Development

To provide customers with IT services and vertical solutions of the highest quality in the industry, SYSTEX continues to expand R&D resources and conduct new business strategic investment to achieve vertical integration and horizontal expansion in the industry and continue the momentum for innovation. SYSTEX's new products (services) under development and distribution are as follows:

- (a) AML, (Anti Money Laundering) Solution.
- (b) Line@ chat bot. Service

## V. Operation Highlights

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(c) Smart Vending Machines / Self ordering machine / Self check-in machine.

(d) eDDA Online-banking Two-factor authentication.

(e) Performance optimization on Securities and Futures Industry's cloud solutions and Insurance service.

(f) Mobile financial adviser & Wealth Management System.

(g) Platform for new banking terminal & financial service for financial industry

### 5.1.2 Industry Outlook

#### A. Industry Trends

New technology development and IT application innovations in recent years are mainly concentrated on the following sectors: mobile applications, big data, and social media. The global economy recovery advances IT system upgrade and growth of the IT service market. The IT service market in Taiwan is dominated by the demand for system integration services from large-scale enterprises and government agencies in the public sector. As major enterprises rush to develop their global markets, they must expand IT software/hardware, upgrade legal compliance protocols, and maintain existing systems at the same time. Information system solutions also require adjustment after consolidation of corporate organizations. The market scale is expected to grow from the NT\$206.5 billion in 2019 to NT\$240.4 billion in 2020, an annual growth rate from 2015 to 2021 is approximately 9.3%.

New information technologies are not only current global trends but also important items that lead the growth of Taiwan's information service industries. The survey conducted by the Institute for Information Industry (III) on Taiwan's top 101 corporations indicates that the top five most important new technologies for enterprises are virtual services, information security, mobile applications, big data storage, and cloud services. The focus of IT services shall also be on how to satisfy demands of corporate users under all conditions and environments. The transmission and implementation of information shall also be integrated in a more effective manner. The keys to projecting full IT power and accurately obtaining profits thus include the appropriate use of environmental awareness capabilities and omnipresent analytical skills. Therefore, the five major new economy issues including the cloud, social, mobile, analytics, and cybersecurity as well as various cloud, IoT, big data, mobile security, and corporate software applications are expected to form the main demand of companies in Taiwan.

In the software market in Taiwan, risk management, cloud computing, International Accounting Standards, and the Personal Information Protection Act have become the main factors in driving market growth in recent periods. Looking ahead, the development of cloud computing, big data, social media, and mobile applications shall continue to mature. As large-scale companies and the public sector become more willing to adopt these technologies, the market shall also continue to grow. The market scale is expected to grow from the NT\$84 billion in 2019 to NT\$89.4 billion in 2021, 2015 to 2021 an annual growth rate of approximately 6.9%. In addition, embedded software including software embedded in IoT devices, sensors, industrial automation equipment, and telecommunication equipment shall also grow due to the advancement of IoT applications. Set software for the general market including productivity software, gaming software, mobile apps, and video editing software that rely on mobile applications shall also maintain growth. Corporate solutions including application software, information security, database, and development tools shall also experience small-scale growth.

#### B. Industrial Market Analysis

(a) Intelligent Finance, Put in FinTech innovation:

SYSTEX will not only continue to provide investors with much needed international investment and wealth management systems, but also work with international finance IT operators to provide instantaneous information services across different markets and build a global transaction network

## V. Operation Highlights

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to lower investors' investment cost for global transactions. Within the existing trend for FinTech, smart financial management, smart banking, and big data digital marketing will also become trends. Going forward, SYSTEX will continue to assist financial institutions in their digital transformation, integrating big data and analysis capabilities to construct comprehensive digital finance services, develop omni-channel, cross-channel, and cross-device services to create a consistent experience.

(b) Intelligent Service, Omni channel experience and Omni payment for smart retail:

Responding to AI being a prominent part of future market developments, SYSTEX will focus its retail market operation on electronic statements and mobile applications, including interactive electronic statements, video electronic statements, LBS discount information services, mobile payment, and mobile discount coupons. In addition, through cloud service models, SYSTEX will introduce mobile payment-centered mobile business to areas like the High Speed Rail, gas stations, parking lots, hypermarkets, supermarkets, restaurants, educational and entertainment facilities.

(c) Data Technology Products and Services:

IDC estimates that by the end of 2021, 47.8% of small-to-medium sized businesses in Taiwan will have undergone digital transformation. However, these corporations may run into challenges such as system compatibility, information security, capacity coordination, management distribution, and professional talent, so SYSTEX will use its crossover software capabilities and core technologies to help corporations undergo pain-free digital transformation. Also, Taiwan is expected to officially enter the 5G mobile network era in 2020. SYSTEX will take advantage of the 5G application market and launch 5G service-related network applications and software/hardware equipment services with its partners. SYSTEX will also focus on new types of business opportunities such as "corporate diagnosis," "structure design," and "system reorganization" driven by Industry 4.0, as well as the demand in information security driven by 5G, GDPR, and new information security regulations.

C. Relationships with suppliers in the industry's supply chain

SYSTEX plans software licensing options and provides services based on customer requirements and budget. The Company seeks to become a leading brand with the most industrial value in the knowledge economy in the progress of advancing digitalization for the finance, telecommunication, retail and logistics, manufacturing industry, and other customer groups with requirements. SYSTEX shall provide customers with services including system planning, software deployment, education, training, and technical support service. Upstream firms include: information software/hardware providers or distributors such as Microsoft, HP, Serena, BMC, SAP, and Oracle. Downstream firms consist mainly of the finance industry, telecommunication industry, e-commerce, retail and logistics industry, manufacturing, government authorities and schools etc.

D. Product trends and competition

Due to the changes in the structure of the industry, the overall political and economic environment, regulatory systems, the overall IT service market in Taiwan has been affected. As companies continue to relocate overseas and IT firms fail to provide differentiated products and services, the price competition in the industry has become increasingly severe. As certain IT firms retain limited technical capabilities and do not hold pricing advantages under the intense competition on the market, large-scale service providers with quality IT services gradually expanded the gap between them and the small and medium ones.

## V. Operation Highlights

### 5.1.3 Research and Development

R & D Expenses for current year

Unit: NT\$ thousands

Item	Year	
	2019	As of March 31, 2020
R & D Expenses	453,910	123,840

The Company's technologies and R&D consist mainly of integration of business applications and important results include: For more detail, please refer to page 65 of the Chinese annual report.

### 5.1.4 Long-term and Short-term Development

#### A. Intelligent Finance:

##### (a) Short-Term Development Plan

###### (1) Providing the Service Capacity for Assisting Digital Transformation for the Finance Industry

The Company has launched the smart wealth management service tool, Line@Wealth Management Secretary and "Robo-Advisor ONE" chat bot wealth management consultant and it will target business development opportunities in related technology services for smart banking, smart wealth management, mobile insurance, and mobile payment.

###### (2) Strengthening Information Content

The Company shall continue the intensification of the depth of the information of the entire product line and enrich value added content to effectively segregate market competition. The Company shall actively work with enterprises from different sectors and foreign companies to provide high value added services.

###### (3) Create Value with Integration

The Company shall integrate multiple financial information product and provide comprehensive transnational and inter-market one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and foreign markets.

###### (4) Develop New Business Requirements

SYSTEX shall continue to develop existing customers and uncover requirements for new types of businesses in order to assess whether to conduct independent R&D or import solutions from international brands.

##### (b) Long-Term Development Plan

###### (1) Intensify Customer Relations and Comprehensive Services

The Company shall establish account sales teams to take charge of processing the demand of major corporate customers and gain full control of the customers' budgets.

###### (2) Increase Market Share in Asia Pacific through Comprehensive Group Performance

SYSTEX shall construct comprehensive financial service systems to complete the construction of financial transaction networks in Greater China to achieve the three channels in financial transactions (commissions, matchmaking, and information exchange) through consolidated operations in the securities and futures as well as banking and insurance.

#### B. Intelligent Service:

##### (a) Short-Term Development Plan

###### (1) Enhance Core Capabilities and Market Management

The Company shall conduct training for professional businesses and technical personnel based on the key operations of each department while integrating the sales plans and professional

## V. Operation Highlights

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technologies of related products.

### (2) Electronic Statements Processing and Platform Services

In addition to shoring up existing customers, the Company also actively participates in **one-off** operating tenders and marketing through personalized colored statements to provide differentiated services.

### (3) Segment Marketing and Channels

SYSTEX shall increase the depth and breadth of segment marketing and use bank clients participation to facilitate closer integration of the brand, channels, and member companies with banks through SYSTEX's hks Promotions app communication platform.

### (4) Mobile Promotion Information Platform Service

SYSTEX provides reservation services for various chain stores and credit card promotion information. In the future, the Company shall integrate mobile membership cards, restaurant reservation, mobile payment, and electronic invoices into a one-stop service.

### (5) Develop Consumer-Oriented IT Services

SYSTEX develops mobile payment tools to expand the use of mobile devices to electronic wallets or credit cards. The mobile tablets of sales representatives can be developed into points of sale (POS) and mobile applications developed for e-wallets allows customers to complete a purchase simply by scanning the barcode. Products can also be quickly delivered.

## (b) Long-Term Development Plan

### (1) Retail Cloud Service Integration

The Company focuses on the development of the cloud environment, Omni Channel, data integration, and added-value services in CRM software.

### (2) Become the Optimal Comprehensive IT Service Partner for Distribution and Retail Industry

Cultivate customers and adopt the SaaS model to create recurring revenue. Actively develop payment, retail, data processing, and finance/insurance solutions for O2O, consumer product development, mobile payment, consumer product distribution, and data management sectors.

### (3) Cross-Sector Integration of Electronic Statements

SYSTEX shall become a comprehensive service provider for printed and electronic statements and data processing for mobile services. It shall increase the integration of insurance policies and the color personalization, digitalization, and mobilization of statements.

## C. Data Technology Products and Services:

### (a) Short-Term Development Plan

#### (1) Increase Customer Value

The Company shall establish a comprehensive customer consultation and support service system to increase maintenance or consulting service items and create recurring revenue.

#### (2) Enhance Core Capabilities and Market Management

Enforce customer loyalty, create one stop shopping concepts.

#### (3) Product and Service Diversification

In the scope of services, in addition to improving current core services, new products introduced will also be integrated to existing services, expanding the original single-point, single-products services to a line, or even a plane, and grow with the customer.

#### (4) Cloud and Mobile Product Development

SYSTEX shall increase revenue and margins through the promotion of cloud and mobile products and solutions, distribution of new software, and enhancement of tier two products. Office 365 and Microsoft Azure remain the backbone in sales and technical installation services of cloud-based

## V. Operation Highlights

total solutions.

### (5) Build Distribution Partnerships

SYSTEX shall consolidate partnerships with downstream distributors and system integrators and become their indispensable and high-quality business partner. The Company shall also build professional division of labor and a collaboration model of group sales through exchanges of market information, new technical advances, and updates on corporate users. In addition to providing information security services, the Company shall also assist companies in addressing information security risk management to achieve the goal of corporate sustainability.

### (6) Establish Comprehensive Professional Certification Training Center

SYSTEX provides over 400 comprehensive professional education, training, and international certification courses to meet different demands for enhancing professional skills in different stages. With the rising awareness in cybersecurity in recent years, SYSTEX has planned a series of comprehensive courses on cybersecurity to satisfy the demand for talented cybersecurity professionals.

### (b) Long-Term Development Plan

#### (1) Build Competitive Advantages

SYSTEX shall continue to enhance core capabilities and actively provide the latest cybersecurity incidents and cybersecurity protection information. SYSTEX shall also provide customers on both sides of the Strait with authorization services and technical know-how of the highest quality.

#### (2) Win Government ITO Service Opportunities

The Company focuses on: Demand in software/hardware equipment replacement, integrated account single login services, equipment transfer services, data center performance adjustment/shared structure services, maintenance contracts, and increased value.

#### (3) Upgrade IT Application Management Plan

The Company shall construct IT application management procedures (SOP, SOW, and contract) and supplier certification system and assessment plans to increase the geographical scope of the services and enhance the installation and maintenance capabilities for large-scale system deployment projects as well as to increase the turnkey contracting capabilities for non-specialty projects and to effectively lower the cost and management risk of expansion.

#### (4) White Space Market Development

In response to the rapid changes and transformation of the current business model, a new form of industry solution was introduced to expand market shares with comprehensive and professional services.

#### (5) Develop Smart Services to Build a Business Model for Services Supported by Products

The Company shall assist enterprise clients in building sustainable and secure operations centers and provided analytical services based on machine learning and protection system structure assessment and consulting services.

## 5.2 Market, Production and Sales Outlook

### 5.2.1 Market Analysis

#### A. Region Revenues

Area	Domestic	Overseas	Total
Sales percentage	75%	25%	100%

#### B. Future Market Supply and Demand and Future Growth

The following trends will have material impact in 2019:

## V. Operation Highlights

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- (a) The growth in the global IT service market continues to stabilize as cloud services and big data applications continue to take center stage. IoT and AI applications will become the momentum for the next wave of growth. The scale of the global IT service market is set to grow from US\$877.5 billion in 2017 to US\$1.22 trillion in 2020 with a compound annual growth rate (CAGR) of 4.6%.
- (b) The MIC conducted a "mobile payment survey" in the fourth quarter of 2018 and found that by 2018, the penetration rate of mobile payment has reached 50.3%, a significant increase from 39.7% in 2017. The key points of mobile payment in 2019 will be how to provide omni channel, attractive deals, and smoother operating process with the three major factors of "channels", "deals", and "system stability" and give current users a smoother user experience.
- (c) With the rise of microservice architecture, the IDC predicts that by 2022, 35% of the world's software services will be cloud-based software, and up to 90% of new software services will use microservice architecture.
- (d) 5G communications is about to be commercially operated in developed countries. Relevant application will lead to a flip in the technology industry and break through the current 4G saturation.

### C. Market Share

- (a) SYSTEX ranks first in Taiwan in quotation information services:
  - (1) The system is adopted by over 1,000 service outlets of securities firms and it has a market usage rate of over 90%.
  - (2) It is adopted by most professional futures firms in Taiwan and has a market share of over 95%.
  - (3) SYSTEX provides banks and firms with complete international financial information for securities, futures, warrants, bonds, bills, and exchange rates with a top market share.
  - (4) The Company also provides foreign futures firms with fully integrated information service systems for quotation, transactions, and accounts and it retains a market usage rate of over 90%.
- (b) The electronic securities/futures/options business transaction system developed by SYSTEX has been adopted by more than 30 financial institutions and remains the product with the highest market share in Taiwan.
- (c) Mobile finance information services - iWow integrated SYSTEX's finance quotation system and accumulated 30,000 registered members after the new update in 2017.
- (d) SYSTEX has 12 service centers across Taiwan and employs over 400 professional engineers and it is the largest IT service provider in Taiwan. SYSTEX also obtained tenders for land administration maintenance projects in 18 municipalities with a market share of 75%.
- (e) SYSTEX is the largest data processing and outsourced print service provider. Its market share is over 80% in telecommunication and over 60% in financial institutions and banks.
- (f) SYSTEX is the Microsoft Licensing Solution Provider (LSP) with the largest market share in Taiwan. Its market share in commercial software is between 10% and 50%.
- (g) SYSTEX's Knowledge Product Business Unit is the technical education and training center that offers the most authorized courses from international brands with over 400 comprehensive professional information education and training courses. SYSTEX is one of the few education and training centers with high-level and exclusive courses.

### D. Favorable Developments, Unfavorables Factors and Countermeasures

SYSTEX adopts project execution performance and customer satisfaction report mechanisms to ensure customer satisfaction. The Company also proposes improvement plans based on customer opinions to continue to provide better services with higher value for customers. In addition, the Company has actively adopted strategic investment, acquisition, mergers, and other external growth strategies to facilitate group operations.

## V. Operation Highlights

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SYSTEX provides competitive niches in the following products and services:

(a) Intelligent Finance:

(1) Favorable Developments

- ① Due to the rapid development of FinTech, demand for smart wealth management, big data applications, digital marketing platforms, and related technologies have increased by several folds.
- ② The Company has actual experience with Taiwan securities and futures firms that can satisfy multiple customer requirements in China.
- ③ The Company also collaborates with professional international finance and securities brokers to enhance the expansion of the transaction and information platform.
- ④ The Company retains R&D teams with professional knowledge in technologies and finance.
- ⑤ The Company provides transaction platforms for domestic and international securities, futures, warrants, bonds, bills, and foreign exchange as well as front/middle/back-end finance solutions.
- ⑥ The Company has distributed renowned world-class software for long periods of time and has built a professional brand in the industry.

(2) Unfavorable Factors

- ① Taiwan's domestic market is reaching the point of saturation as market competition intensifies and product variation decreases.
- ② International brand awareness requires improvement.
- ③ There are numerous competitors in the international financial information market and most have finance-related backgrounds.
- ④ It is hard to cultivate technicians in basic banking AP development, causing a gap in human resources.

(3) Countermeasures

① Continue to expand markets in China and Taiwan

The Company shall target investment requirements of investors in four stock markets in China, Hong Kong, and Taiwan, gain real-time information in these markets, and provide comprehensive and a diversity of quotation product combinations.

② Enhance R&D and Strategic Transition

- i. The Company shall comply with industry requirements and regulations in launching various financial products and information services in order to create differentiation to satisfy requirements of individual customers.
- ii. In response to the coming of the internationalized product transaction era, the Company shall focus on the development and applications of different product transaction platforms.
- iii. The Company has established the "Big Data R&D Division" to integrate big data analysis and interactive technologies and continue to advance various new tools and solutions.
- iv. The Company shall continue to provide finance and corporate service mobilization plans and services to expedite the digital transformation of financial institutions.

(b) Intelligent Service:

(1) Favorable Developments

- ① As the domestic catering distribution service industry develops, business opportunities will increase in stored value services and financial mobile payment.
- ② SYSTEX has completed the development of the hks Promotions app. It now has over 1 million downloads and it continues to provide business opportunities in mobile media and applications



## V. Operation Highlights

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by increasing precision marketing and purchase guidance services.

- ③ SYSTEX was the first to introduce applications of smart robot development in different industries and we work with international AI developers to retain the lead in technology integration capabilities.
- ④ The Company has had numerous successful cases in the development of customized software EC operation agency We have established best practice principles that bring in more business opportunities.
- ⑤ Demands for outsourcing corporate information services will continue to climb and related software/hardware equipment installation and maintenance services will continue to grow.

### (2) Unfavorable Factors

- ① Difficulties in growth volume of statement notification letters are mainly due to changes in regulations on shareholder services, increase in postage fees, environmental protection trends, and digital finance services.
- ② Principals' direct involvement in outsourced marketing services compress room for growth.
- ③ Competitors continue to lower prices for equipment maintenance in order to obtain market share, which has led to the reduction of gross margins.

### (3) Countermeasures

- ① The Company develops its own product, INTERACT, to provides differentiated added-value services. We integrated existing interactive electronic statements and mSense electronic statements to lower the impact of electronic statements on revenue.
- ② SYSTEX employs AI technologies to develop different applications for different industries and provides new services and solutions.
- ③ The Company expands the customer base for maintenance contracts to increase chances for contracting. The Company shall also expand the sales of equipment to increase market share and increase the technical capabilities of maintenance staff to construct comprehensive solutions.

## (c) Data Technology Products and Services:

### (1) Favorable Developments

- ① SYSTEX is Taiwan's largest information service provider and it is financially sound. The Company has numerous successes in various industries. SYSTEX maintains excellent relations with international vendors and distributors. It also enjoys high brand recognition in the market and has become an important IT services supplier for customers.
- ② SYSTEX remains the best partner for corporate one-stop shopping from the construction of information technology infrastructure to the design of application software information systems and comprehensive services for construction and operations management. The Company distributes a wide range of products and our customers lead their respective industries in terms of overall economic scale.
- ③ SYSTEX has accumulated over decades of extensive experience in cybersecurity technologies and actual experience. It retains comprehensive solutions, multiple product combinations and technical support teams.

### (2) Unfavorable Factors

- ① The market in Taiwan is saturated and the intense price competition in the industry lowers profits.
- ② The recent global economic downturn has continued to shrink the domestic IT service market as customers' budgets decreased and it became increasingly difficult to sustain growth.

## V. Operation Highlights

- ③ The IT budget accounts for a low proportion of total national budget. It is lower than international standards and mostly used on hardware. Political uncertainties in recent years have led to delays and cuts in budget.
- ④ Vendors direct involvement in outsourced marketing services compress room for growth.
- ⑤ The variation in the features of cybersecurity products and solutions is gradually declining and it leads to lower profit margins. Due to the variation in customers' business models, the introduction of solutions requires high levels of customization that extends the time required for project introduction.

### (3) Countermeasures

- ① The Company shall introduce related products of original manufacturers for service integration and improving competitive advantages to provide more comprehensive solutions and technology integration.
- ② By strengthening the integrity of the product line, the group of lecturers, and the service process, SYSTEX is able to deepen customer relations, create team value, and raise competitive standards.
- ② SYSTEX actively seeks alliances with competitors to quickly expand markets through integration in professional sectors.

### 5.2.2 Key Product Applications and Manufacturing Processes:

Please refer to pages 75 - 76 of the Chinese annual report.

### 5.2.3 Supply of Essential Raw Materials: N/A

### 5.2.4 Key Suppliers and Customers in 2019 & 2018:

A. Key Customers: There are not any customers for more than 10% of the total sales in 2019 & 2018.

B. Key Suppliers:

Unit: NT\$ thousands

Supplier \ Year	2018			2019			As of March 31, 2020		
	Amount	Percentage of Total Purchase (%)	Relationship with Issuer	Amount	Percentage of Total Purchase (%)	Relationship with Issuer	Amount	Percentage of Total Purchase (%)	Relationship with Issuer
Company A	3,814,368	31	None	4,786,419	34	None	1,542,606	43	None
Others	8,393,705	69		9,381,545	66		2,031,630	57	
Total	12,208,073	100		14,167,964	100		3,574,236	100	

5.2.5 Production in 2019 & 2018: SYSTEX is the Information Service Company, it's not applicable.

## V. Operation Highlights

### 5.2.6 Shipments and Revenue in 2019 & 2018

Unit: NT\$ thousands

Item \ Year	2018		2019	
	Domestic	Overseas	Domestic	Overseas
Net sales	10,720,621	3,543,147	12,010,486	4,361,048
Service revenue	4,124,385	1,063,818	4,559,959	1,059,970
Other operating revenue	63,211	807	58,461	1,099
Total	19,515,989		22,051,023	

### 5.3 Human Resources

Year		2018	2019	As of March 31, 2020
Number of Employees	Sales & Marketing	528	543	565
	Technician	1,284	1,359	1,339
	Programmer	1,045	1,158	1,172
	Administration	407	397	527
	Total	3,264	3,457	3,603
Average Age		38	38	38
Average Years of Service		7.6	7.4	7.3
Education	Ph.D.	0.12%	0.09%	0.08%
	Master	11.83%	11.57%	11.38%
	University & College	81.10%	81.31%	80.02%
	High School	6.68%	6.65%	7.94%
	Below High School	0.27%	0.38%	0.58%

### 5.4 Information on Environmental Protection Costs

The Company's main businesses include information services, sales and other services of computer software, hardware, and related equipments. SYSTEX does not own a factory and therefore does not pollute the environment.

### 5.5 Labor Relations

Harmonious employee and management relations are the foundations of corporate development. The Company's employee and management relations throughout the years have always been harmonious and stable as well as conducive to mutual prosperity. The Company dedicates itself to improving employee benefits, salary standard, and work environment and to maintain open communication channels between staff and management. The hard work of all employees and their demonstration of personal talents allow employees and the Company to grow together and create a better future together.

The Company processes various recommendations from employees in an appropriate manner to create constructive consensus and facilitate cooperation between staff and management. The Company therefore has no employee and management disputes.

## V. Operation Highlights

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The Company's employee benefits for studying, training, the pension system and its implementation status as well as labor agreements and employee rights maintenance measures are as follows:

### 5.5.1 Welfare measures for employees

- A. The Company has established an Employee Welfare Committee in accordance with regulations to organize dinner parties, tours, clubs, and other activities to improve the work environment and quality of life. In addition, the Company also provides various benefits for employees' work, health, and family life:
- (a) The Company provides a more favorable leave program than the Labor Standards Act.
  - (b) The Company has established badminton courts, a gym, shower rooms, and nursing room and appointed professional massage therapists to provide employees with free massage services.
  - (c) The Company provides regular health exams for employees.
  - (d) The Company provides laundry and delivery services at discount prices.
  - (e) The Company has constructed parking lots for use by all employees after filing applications.
  - (f) The Company encourages employees to establish clubs and subsidizes club funding.
  - (g) Employees enjoy promotional prices for products of the Group.
  - (h) The Company organizes employee events and tours from time to time to enrich employees' leisure life and promote friendship.
  - (i) Organize employee activities, travel itineraries and various lectures from time to time to enrich colleagues' leisure life and enhance interaction.
  - (j) In addition to the legally required labor and health insurance, the Company also provides employees with group insurance. The group insurance is paid for by the Company and employees' family members can also pay for additional coverage.
  - (k) Cooperated with a qualified child care service agency for child care services.
  - (l) In addition to the wedding and funeral subsidies for colleagues, the company also provides congratulatory gifts on employees' birthdays, marriages, births and other important holidays.

### 5.5.2 Training and Career Development

A total of 5,302 employees participated in the physical training courses (excluding digital learning courses) hosted by SYSTEX in 2019 and the total training time exceeded 26,000 hours. In addition, there were 846 instances of employee participation external professional training courses which accounted for a total of 13,475.6 training hours.

SYSTEX values talent cultivation and the advancement of employee expertise. We firmly believe that employees are the Company's most important assets, and we have made systematic plans and provided employees with education development plans to advance both their professional technical skills and career development. Employees can participate in external training and obtain professional licenses. The Company has also developed comprehensive internal training courses based on the Company's organizational strategies and employees' personal development needs, providing diverse courses such as newcomer training, leadership and management, technical development, marketing and sales, personal performance, key talent cultivation, as well as expert lectures, and the Intern School.

In addition, the Company has also established comprehensive "Employee Training Development Management Regulations" to encourage employees to participate in a variety of studies and courses for which the Company provides subsidies. At the same time, the training and development are incorporated into the performance management system to motivate employees to maximize their performance to accomplish the Company's goals.

## V. Operation Highlights

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Internal training courses provided by SYSYEX include:

- A. Newcomer Training Program: To help each new employee familiarize themselves with the environment and understand the Company's principles and culture, SYSTEX designed a mix of physical and digital courses centered the needs of new employees, effectively helping new employees establish a positive work attitude and strive for excellence. The program allows new employees to interact with high-level executives to better their understanding of SYSTEX's corporate culture, and includes a special introduction to the Solution Center to help new employees better understand the Company's products and services. The program also educates new employees on occupational health and safety to instill proper occupational health and safety concepts.
- B. Leadership Management Program: To enhance the management skills of supervisors, the Company has designed management development training courses for different levels of managers in order to increase the leadership and management skills of supervisors and ensure the effective performance of the organization. The Company opened a mentoring technique course to improve the abilities of senior employees and managers to mentor new employees and develop the right attitude towards mentoring new employees. It is hoped that such a program can help senior employees pass down techniques and allow new employees to settle into their new position and environment quicker.
- C. Technical Development Course: The program focuses on core capabilities such as software development and project management. With the best practical experience accumulated over the years, the Company has established ten major technology research task forces to continue the introduction of new technologies and organized technical research camps to systematically cultivate talented technical personnel. Such items ensure the continued betterment of software development and project management capabilities.
- D. Marketing and Sales Program: The key to successful sales has shifted from product- to customer-orientation. The Company arranged a series of sales training courses, covering everything from making the first contact, understanding customer needs, providing comprehensive solutions, to the final sale, including utilizing effective questioning techniques to determine what the customer truly needs. The program trains employees in consultative selling techniques, helping them play the role of product expert consultant to persuade customers to place an order.
- E. Personal Performance Program: To help SYSTEX employees increase efficiency at work and implement organization talent strategies for high performance and high contribution, the Company has arranged diverse personal performance courses.
- F. Key Talent Cultivation: Conduct annual inventory and cultivation planning of key positions and talents according to organizational strategy and needs for reserved talents, as well as human recourse strategies for high performance and contribution.
- H. Intern School: Provide summer and long-term internship programs, allowing students to experience the workplace early and get to know SYSTEX through internship opportunities. SYSTEX even offers the chance for long-term interns to become full-time employees.

In addition to physical courses, SYSTEX also established a comprehensive Learning Management System to assist employees in developing core expertise quickly through an automated information system. The Company also uses digital technologies such as Facebook Live Stream, WebEx, and Zoom video conference to allow employees to enhance their capabilities outside the constraints of space and time.

### 5.5.3 Retirement System

The Company's retirement regulations are implemented in accordance with regulations of the Labor Standards Act and Labor Pension Act.

- A. Labor Standards Act (old system):

## V. Operation Highlights

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- (a) The Company has established the Supervisory Committee of the Labor Retirement Reserve in accordance with regulations. The labor retirement reserve fund is appropriated each month in accordance with the "Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds" to the Committee's dedicated account at the Bank of Taiwan.
- (b) Employee retirement application: Where the employee attains the age of fifty-five and has worked for fifteen years, where the employee has worked for more than twenty-five years, or where the employee attains the age of sixty and has worked for ten years, the employee may apply for voluntary retirement.
- (c) Employee pension payment: The monthly average salary of the employee authorized for retirement shall be adopted as the standards for calculating employee pension base unit. Two base units are given for every full year of service. Those having served over 15 years are given one base unit for each full year of service and the total number of base units shall be no more than 45. Length of service is calculated as half year when it is less than six months; Length of service is calculated as one year when it is more than six months. However, employees who face mandatory retirement due to the performance of duties specified in Article 54 of the Labor Standards Act shall receive an additional 20% for their pension in accordance with the requirement.

B. Labor Pension Act (new system): The Company appropriates 6% of the employee's salary to the dedicated personal pension account established by the Bureau of Labor Insurance in accordance with the "Monthly Contribution Wages Classification of Labor Pension".

### 5.5.4 Working Environment and Protective Measures for Employees' Personal Safety

The Company has established an employee safety and health management agency and the Employee Safety and Health Committee in accordance with the "Regulations on the Management of Labor Safety and Health Organization." Meetings are convened each quarter to implement affairs related to labor safety and health. The Company implements access management for the security of the building. It established a central surveillance system staffed by 7X24-X 365 security personnel. The Company conducts fire safety exercises every six months and annual "fire safety equipment inspection and reports" in accordance with fire safety regulations to improve employees' familiarity with fire safety. The Company established a "Fire Safety Protection Plan" and designated fire-safety managers to implement fire safety education. The Company files building safety inspection reports to ensure the safety of the building and obtains the "Taipei City Building Public Safety Autonomous Management Inspection Qualification Label" each year to ensure the safety of the building. The Company also regularly cleans the drinking water storage facility, conducts environmental disinfection operations, and inspects drinking fountains each month. The Company has appointed physicians to carry out health services at the Company every two months to provide employees with health consultation in accordance with the "Labor Health Protection Act", and provide employee health consultation and workplace evaluation to prevent occupational hazards. The Company has also built a friendly work environment and constructed breastfeeding rooms in accordance with regulations of the Health Promotion Administration. We also obtained the "Taipei City Government High Quality Breastfeeding Room Certification" (duration: September 1, 2017 to August 31, 2020). The Company has set up gym facilities and badminton courts for employees to provide them with venues for leisure and sports. The Company has also established wheelchair accessible facilities at the entrance of the building and lavatories. SYSTEX passed the "Accredited Healthy Workplace" inspection by the Health Promotion Administration for a smoke-free workplace and provides employees with a healthy work environment.

### 5.5.5 Employee Code of Conduct

The Company has established the "Employee Code of Conduct" as the standard to be followed by the Company's employees when conducting business activities. The main contents include:

## V. Operation Highlights

- A. Legal requirements and the Company's internal regulations shall be strictly implemented when conducting business activities in order to protect employees and the Company from legal penalties or prosecution by stakeholders.
- B. Protect the Company's reputation and assets.
- C. The Company's assets and information shall only be used to achieve the Company's goals and they shall be properly used, protected, and stored.
- D. Employees may not conduct activities that conflict with the interests of the Company.
- E. Applicable procedures and punishment measures in the event of violations.

Each new employee shall be required to attend an online learning course on "Employee Code of Conduct" after entering the Company. The course shall be announced on the Company's internal website. In addition, the Company shall issue regular email notifications and education each month to request compliance by supervisors and remind colleagues to read and sign so that all employees shall adhere and implement related regulations.

### 5.6 Material Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Reseller Agreement	Oracle Taiwan LLC, Taiwan Branch	2019.09.01-2020.08.31	Software proxy	None
Reseller Agreement	IBM Taiwan Corp.	2019.12.09-2021.12.08	Software proxy	None
Reseller Agreement	Microsoft Regional Sales Corporation	2019.09.01-2020.08.31	Software proxy	None
Reseller Agreement	Dell B.V., Taiwan Branch (Netherlands)	2019.03.28-2020.11.13	Product distribution	None

## VI. Financial Information

### 6.1 Five-Year Financial Summary

#### 6.1.1 Condensed Balance Sheet and Condensed Statement of Comprehensive Income

##### A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years(Note 1)					As of March 31, 2020 (Note 1)
		2015	2016	2017	2018	2019	
Current assets		13,592,648	14,470,521	14,821,057	14,062,166	14,582,968	13,800,089
Property, plant and equipment (Note2)		2,089,497	2,009,673	1,940,525	1,913,330	1,929,649	2,075,043
Intangible assets		451,010	112,751	51,368	116,074	86,279	92,870
Other non-current assets (Note2)		2,529,702	2,489,683	2,551,220	3,887,893	4,987,658	4,633,665
Total assets		18,662,857	19,082,628	19,364,170	19,979,463	21,586,554	20,601,667
Current liabilities	Before distribution	5,240,030	6,064,585	6,766,494	6,492,370	7,472,992	6,494,826
	After distribution	6,586,997	7,411,551	8,113,461	7,839,337	-	-
Non-current liabilities		265,124	258,848	275,520	292,142	631,429	658,621
Total liabilities	Before distribution	5,505,154	6,323,433	7,042,014	6,784,512	8,104,421	7,153,447
	After distribution	6,852,121	7,670,399	8,388,980	8,131,479	-	-
Equity attributable to owners of the corporation		13,101,677	12,728,192	12,270,356	13,125,761	13,392,643	13,333,759
Share capital		2,688,383	2,693,933	2,693,933	2,693,933	2,693,933	2,693,933
Capital surplus	Before distribution	8,197,220	7,634,980	7,363,072	6,729,035	6,407,221	6,407,221
	After distribution	7,523,737	7,230,890	6,689,589	6,405,763	-	-
Retained earnings	Before distribution	3,046,792	3,467,402	3,670,307	5,090,264	5,799,398	5,839,733
	After distribution	2,373,309	2,524,525	2,996,824	4,066,569	-	-
Other equity		136,780	(64,494)	(453,327)	(383,842)	(579,466)	(678,685)
Treasury share		(967,498)	(1,003,629)	(1,003,629)	(1,003,629)	(928,443)	(928,443)
Non-controlling interests		56,026	31,003	51,800	69,190	89,490	114,461
Total equity	Before distribution	13,157,703	12,759,195	12,322,156	13,194,951	13,482,133	13,448,220
	After distribution	11,810,736	11,412,229	10,975,189	11,847,984	-	-

Note 1: The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: No reevaluation of assets has been conducted throughout the years.

Note 3: The earning distribution of 2019 is to be approved by the Board of Directors.



## VI. Financial Information

### B. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2020 (Note 1)
	2015	2016	2017	2018	2019	
Operating revenues	16,313,088	16,210,380	16,874,279	19,515,989	22,051,023	5,758,360
Gross profit	4,300,486	4,332,060	4,533,728	5,034,211	5,549,292	1,327,355
Profit from operations	419,362	279,268	539,126	687,722	607,017	277,050
Non-operating income and expenses	285,857	966,592	761,034	553,505	1,596,490	(170,110)
Income before tax	705,219	1,245,860	1,300,160	1,241,227	2,203,507	106,940
Net income	563,327	1,090,328	1,173,118	1,050,172	1,811,303	59,180
Other comprehensive income (loss) (income after tax)	(21,568)	(215,734)	(420,912)	37,855	(247,574)	(118,719)
Total comprehensive income	541,759	874,594	752,206	1,088,027	1,563,729	(59,539)
Net income attributable to owners of the corporation	564,274	1,108,268	1,177,749	1,051,418	1,808,042	59,835
Net income attributable to non-controlling interests	(947)	(17,940)	(4,631)	(1,246)	3,261	(655)
Comprehensive income attributable to owners of the corporation	542,237	892,819	756,949	1,089,408	1,560,779	(58,884)
Comprehensive income attributable to non-controlling interests	(478)	(18,225)	(4,743)	(1,381)	2,950	(655)
Earnings per share (Note 2)	2.29	4.50	4.79	4.27	7.31	0.24

Note 1: The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

## VI. Financial Information

### 6.1.2 Unconsolidated Balance Sheet and Condensed Statement of Comprehensive Income

#### A. Unconsolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Current assets		3,358,680	3,333,550	2,987,226	2,930,051	3,348,530
Funds and Investments		9,738,155	9,717,916	10,200,776	11,023,444	10,865,798
Property, plant and equipment (Note 2)		1,704,946	1,658,175	1,640,402	1,620,945	1,611,371
Intangible assets		107,282	54,271	45,578	30,303	19,744
Other non-current assets (Note 2)		243,268	203,177	147,095	138,069	385,287
Total assets		15,152,331	14,967,089	15,021,077	15,742,812	16,230,730
Current liabilities	Before distribution	1,812,301	1,940,356	2,457,203	2,354,731	2,433,959
	After distribution	3,159,268	3,287,323	3,804,169	3,701,698	-
Non-current liabilities		238,353	298,541	293,518	262,320	404,128
Total liabilities	Before distribution	2,050,654	2,238,897	2,750,721	2,617,051	2,838,087
	After distribution	3,397,621	3,585,864	4,097,687	3,964,018	-
Equity attributable to owners of the corporation		13,101,677	12,728,192	12,270,356	13,125,761	13,392,643
Share capital		2,688,383	2,693,933	2,693,933	2,693,933	2,693,933
Capital surplus	Before distribution	8,197,220	7,634,980	7,363,072	6,729,035	6,407,221
	After distribution	7,523,737	7,230,890	6,689,589	6,405,763	-
Retained earnings	Before distribution	3,046,792	3,467,402	3,670,307	5,090,264	5,799,398
	After distribution	2,373,309	2,524,525	2,996,824	4,066,569	-
Other equity interests		136,780	(64,494)	(453,327)	(383,842)	(579,466)
Treasury shares		(967,498)	(1,003,629)	(1,003,629)	(1,003,629)	(928,443)
Non-controlling interests		-	-	-	-	-
Total equity	Before distribution	13,101,677	12,728,192	12,270,356	13,125,761	13,392,643
	After distribution	11,754,710	11,381,225	10,923,288	11,778,794	-

Note 1: The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: No reevaluation of assets has been conducted throughout the years.

## VI. Financial Information

### B. Unconsolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenues	6,100,657	5,733,038	5,900,195	6,353,272	6,569,020
Gross profit	1,943,215	1,912,678	2,078,811	2,246,610	2,294,466
Profit from operations	147,366	92,889	143,184	158,100	39,438
Non-operating income and expenses	483,194	985,716	1,047,104	920,362	1,825,186
Income before tax	630,560	1,078,605	1,190,288	1,078,462	1,864,624
Net income	564,274	1,108,268	1,177,749	1,051,418	1,808,042
Other comprehensive income (loss) (income after tax)	(22,037)	(215,449)	(420,800)	37,990	(247,263)
Total comprehensive income	542,237	892,819	756,949	1,089,408	1,560,779
Net income attributable to owners of the corporation	564,274	1,108,268	1,177,749	1,051,418	1,808,042
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of the corporation	542,237	892,819	756,949	1,089,408	1,560,779
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (Note 2)	2.29	4.50	4.79	4.27	7.31

Note 1: The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

## VI. Financial Information

### 6.1.3 Auditors' Opinions from 2015 to 2019

Year \ Item	Accounting Firm & CPA	Audit Opinion
2015	Deloitte & Touche Accounting Firm Shue, Shiow-Ming; Kuo, Cheng-Hung	Modified unqualified opinion
2016	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report with other matter paragraph
2017	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report with other matter paragraph
2018	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Unmodified report
2019	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Unmodified report with other matter paragraph
As of March 31, 2020	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Review report with Qualified Conclusion

## VI. Financial Information

### 6.2 Five-Year Financial Analysis

#### 6.2.1 Financial Analysis – Based on IFRS (Consolidated)

Item		Year	Financial Analysis for the Last Five Years (Note 1)					As of March 31, 2020 (Note 1)
			2015	2016	2017	2018	2019	
Financial structure	Debt Ratio (%)		29.50	33.14	36.37	33.96	37.54	34.72
	Ratio of long-term capital to property, plant and equipment (%)		642.40	647.77	649.19	704.90	731.41	679.83
Solvency	Current ratio (%)		259.40	238.61	219.04	216.60	195.14	212.48
	Quick ratio (%)		205.23	184.63	163.66	157.63	142.18	151.12
	Times Interest earned ratio (times) (Note 3)		48.63	51.19	41.18	41.68	66.78	14.82
Operating performance	Average collection turnover (times) (Note 3)		4.88	4.70	5.07	5.59	5.90	6.39
	Average collection period (days)		75	78	72	65	62	57
	Average inventory turnover (times) (Note 3)		5.57	4.89	4.20	4.58	5.07	5.49
	Accounts payable turnover (times)		4.17	4.10	4.08	4.60	4.70	4.84
	Average days in sales		66	75	87	80	72	67
	Property, plant and equipment turnover (times)		7.47	7.91	8.54	10.13	11.48	11.50
	Total assets turnover (times) (Note 3)		0.88	0.86	0.88	0.99	1.06	1.09
Profitability	Return on total assets (%) (Note 3)		3.09	5.89	6.24	5.47	8.84	1.24
	Return on equity (%) (Note 3)		4.22	8.41	9.35	8.23	13.58	1.76
	Profit before tax to capital (%) (Note 4)		26.23	46.25	48.26	46.07	81.80	15.88
	Profit to sales (%) (Note 3)		3.45	6.73	6.95	5.38	8.21	1.03
	Earnings per share (NT\$) (Note 2)		2.29	4.50	4.79	4.27	7.31	0.24
Cash flow	Cash flow ratio (%)		19.61	24.64	3.25	8.56	18.67	-
	Cash flow adequacy ratio (%)		83.80	67.63	50.89	51.06	57.33	54.00
	Cash flow reinvestment ratio (%)		(1.49)	1.97	(7.73)	(4.85)	1.09	-
Leverage	Operating leverage		10.54	15.77	8.53	7.38	9.32	4.89
	Financial leverage		1.04	1.10	1.06	1.05	1.06	1.03

## VI. Financial Information

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Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Return on total assets increased 62%: Because of net income increased.
2. Return on equity increased 65%: Because of net income increased.
3. Profit before tax to capital increased 78%: Because of income before tax increased.
4. Profit to sales increased 53%: Because of net income increased.
5. Earnings per share increased 71%: Because of net income attributable to owners of the corporation increased.
6. Cash flow ratio increased 118%: Because of net cash generated from operating activities increased.
7. Cash flow reinvestment ratio increased 123%: Because of net cash generated from operating activities increased.
8. Operating leverage increased 26%: Because of net operating revenues increased 13% and active operating costs and operating expenses increased 14%.

Note 1: The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

Note 3: The financial analysis information as of March 31, 2020 is annualized.

## VI. Financial Information

### 6.2.2 Financial Analysis (Unconsolidated)

Items		Year	Financial Analysis for the Last Five Years (Note 1)				
			2015	2016	2017	2018	2019
Financial structure	Debt Ratio (%)		13.53	14.96	18.31	16.62	17.49
	Ratio of long-term capital to property, plant and equipment (%)		782.43	785.61	765.90	825.94	856.21
Solvency	Current ratio (%)		185.33	171.80	121.57	124.43	137.58
	Quick ratio (%)		136.21	115.08	74.25	76.11	83.08
	Times interest earned ratio (times)		19,706	672	312	370	339
Operating performance	Average collection turnover (times)		6.01	5.69	5.85	5.89	6.12
	Average collection period (days)		61	64	62	62	60
	Average inventory turnover (times)		5.48	4.88	4.23	4.57	4.26
	Accounts payable turnover (times)		4.40	3.91	3.92	4.30	4.16
	Average days in sales		67	75	86	80	86
	Property, plant and equipment turnover (times)		3.40	3.41	3.58	3.90	4.06
	Total assets turnover (times)		0.40	0.38	0.39	0.41	0.41
Profitability	Return on total assets (%)		3.68	7.37	7.88	6.85	11.34
	Return on equity (%)		4.25	8.58	9.42	8.28	13.64
	Profit before tax to capital (%)		23.45	40.04	44.18	40.03	69.22
	Profit to sales (%)		9.25	19.33	19.96	16.55	27.52
	Earnings per share (NT\$) (Note 2)		2.29	4.50	4.79	4.27	7.31
Cash flow	Cash flow ratio (%)		26.20	26.38	16.67	15.32	3.04
	Cash flow adequacy ratio (%)		66.41	42.69	28.19	30.83	24.52
	Cash flow reinvestment ratio (%)		(6.31)	(6.26)	(7.22)	(7.13)	(9.08)
Leverage	Operating leverage		13.64	21.03	14.72	14.39	63.28
	Financial leverage		1.00	1.02	1.03	1.02	1.16

## VI. Financial Information

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Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Return on total assets increased 65%: Because of net income increased.
2. Return on equity increased 65%: Because of net income increased.
3. Profit before tax to capital increased 73%: Because of income before tax increased.
4. Profit to sales increased 66%: Because of net income increased.
5. Earnings per share increased 71%: Because of net income attributable to owners of the corporation increased.
6. Cash flow ratio decreased 80%: Because of net cash generated from operating activities decreased.
7. Cash flow reinvestment ratio decreased 27%: Because of net cash generated from operating activities decreased.
8. Operating leverage increased 340%: Because of profit from operations decreased 75% and active operating costs and operating expenses increased 14%.

Note 1: The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.



## VI. Financial Information

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### 6.3 Audit Committee's Report

#### Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2019 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying SYSTEX's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219, 228 of the Company Act, this report is submitted for your examination.

Systemex Corporation  
Audit Committee Convener:

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Huang, Jih-Tsan

March 19, 2020

## **VI. Financial Information**

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6.4 Financial Statements for the Years Ended December 31, 2019 and 2018, and Independent Auditors' Report

### **Systemx Corporation and Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2019 and 2018 and  
Independent Auditors' Report**

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and Shareholders  
Systex Corporation

### **Opinion**

We have audited the accompanying consolidated financial statements of Systex Corporation and its subsidiaries (collectively referred to as the Group), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “consolidated financial statements”).

In our opinion, based on our audits and the reports of other independent auditors (refer to Other Matter paragraph), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2019 is addressed as follows:

#### Valuation of Receivables

As of December 31, 2019, notes receivable and accounts receivable amounted to \$3,774,194 thousand. When evaluating impairment of receivables, the management uses the expected credit loss model based on the lifetime expected credit loss. The valuation of receivables involves accounting estimates and assumptions determined by the management. Therefore, we consider the valuation of receivables as a key audit matter. For the disclosures related to receivables, refer to Notes 5 and 11 to the consolidated financial statements.

Our audit procedures for the abovementioned key audit matter included the following:

1. We obtained the reports of receivables impairment and assessed the reasonableness of the methodology and data used in the reports.
2. We tested the receivables aging schedule and reviewed the calculation of expected credit loss for reasonableness of the recognized expected credit loss on receivables.
3. We tested the recoverability of receivables by analyzing overdue accounts and by verifying cash receipts in the subsequent period. For a receivable that was past due but not yet received, we assessed the reasonableness of the expected credit loss based on the customer's payment history, customer credit control and tracking of overdue receivables.

#### **Other Matter**

We did not audit the financial statements as of and for the year ended December 31, 2019 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which were all subsidiaries of the Group included in the consolidated financial statements. The aggregate assets of these subsidiaries as of December 31, 2019 amounted to \$846,991 thousand, or 3.92% of the consolidated assets. The aggregate net operating revenues of these subsidiaries in 2019 was \$1,558,408 thousand, or 7.07% of the consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2019 of Genesis Technology Inc. and Fuco Technology Co., Ltd., which investments were accounted for using the equity method in the accompanying consolidated financial statements. The aggregate carrying amounts of which investments accounted for using the equity method was \$313,467 thousand, or 1.45% of the consolidated assets as of December 31, 2019. The aggregate amounts of the share in their profit and other comprehensive income in 2019 was \$1,837 thousand, or 0.12% of the consolidated comprehensive income. The financial statements of the abovementioned subsidiaries and investees were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent company only financial statements of Systex Corporation as of and for the years ended December 31, 2019 and 2018 on which we have issued an unqualified report with other matter paragraph and an unqualified report, respectively.

## **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Shu-Wan Lin and Cheng-Hung Kuo.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 19, 2020

Notice to Readers

*The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.*

*For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.*

# SYSTEX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 2,775,343	13	\$ 2,815,309	14
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	3,342,025	16	3,079,485	15
Notes receivable, net (Notes 4 and 11)	36,214	-	70,881	-
Accounts receivable, net (Notes 4, 5, 11 and 27)	3,737,980	17	3,632,563	18
Other receivables (Note 28)	353,521	2	264,386	1
Inventories (Notes 4 and 12)	3,064,087	14	2,894,176	15
Prepayments	893,884	4	934,370	5
Refundable deposits - current	336,545	2	320,128	2
Other current assets	43,369	-	50,868	-
Total current assets	<u>14,582,968</u>	<u>68</u>	<u>14,062,166</u>	<u>70</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at fair value through profit or loss - non-current (Notes 4 and 7)	1,498,961	7	1,679,823	8
Financial assets at fair value through other comprehensive income - non-current (Notes 4 and 8)	1,486,829	7	111,870	1
Financial assets at amortized cost - non-current (Notes 4, 9 and 10)	500,000	2	500,000	3
Investments accounted for using equity method (Notes 4 and 14)	826,251	4	1,240,816	6
Property, plant and equipment (Notes 4, 15 and 28)	1,929,649	9	1,913,330	10
Right-of-use assets (Note 16)	320,023	1	-	-
Computer software (Note 4)	71,871	-	58,359	-
Goodwill (Notes 4 and 23)	-	-	26,703	-
Other intangible assets (Note 4)	14,408	-	31,012	-
Deferred tax assets (Notes 4 and 21)	57,264	-	75,600	-
Refundable deposits - non-current (Note 28)	181,562	1	189,310	1
Long-term receivables (Notes 4 and 11)	11,574	-	600	-
Other non-current assets (Note 28)	105,194	1	89,874	1
Total non-current assets	<u>7,003,586</u>	<u>32</u>	<u>5,917,297</u>	<u>30</u>
<b>TOTAL</b>	<u>\$ 21,586,554</u>	<u>100</u>	<u>\$ 19,979,463</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term loans (Notes 17 and 28)	\$ 527,301	2	\$ 815,925	4
Notes and accounts payable (Note 27)	3,828,904	18	3,193,059	16
Contract liabilities (Note 4)	1,300,693	6	1,071,102	5
Other payables	1,376,637	6	1,094,195	6
Lease liabilities - current (Note 16)	124,295	1	-	-
Current tax liabilities (Notes 4 and 21)	103,738	1	126,689	1
Other current liabilities	211,424	1	191,400	1
Total current liabilities	<u>7,472,992</u>	<u>35</u>	<u>6,492,370</u>	<u>33</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 21)	139,438	1	5,938	-
Lease liabilities - non-current (Note 16)	197,816	1	-	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	282,856	1	273,652	1
Other non-current liabilities	11,319	-	12,552	-
Total non-current liabilities	<u>631,429</u>	<u>3</u>	<u>292,142</u>	<u>1</u>
Total liabilities	<u>8,104,421</u>	<u>38</u>	<u>6,784,512</u>	<u>34</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 19)</b>				
Common shares	2,693,933	12	2,693,933	14
Capital surplus	6,407,221	30	6,729,035	34
Retained earnings				
Legal reserve	1,119,831	5	1,014,689	5
Special reserve	383,842	2	453,327	2
Unappropriated earnings	4,295,725	20	3,622,248	18
Total retained earnings	5,799,398	27	5,090,264	25
Other equity	(579,466)	(3)	(383,842)	(2)
Treasury shares	(928,443)	(4)	(1,003,629)	(5)
Total equity attributable to owners of the Corporation	13,392,643	62	13,125,761	66
<b>NON-CONTROLLING INTERESTS (Notes 19 and 24)</b>	<u>89,490</u>	<u>-</u>	<u>69,190</u>	<u>-</u>
Total equity	<u>13,482,133</u>	<u>62</u>	<u>13,194,951</u>	<u>66</u>
<b>TOTAL</b>	<u>\$ 21,586,554</u>	<u>100</u>	<u>\$ 19,979,463</u>	<u>100</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2020)

## SYSTEX CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 27)				
Sales	\$ 16,445,449	74	\$ 14,304,148	73
Less: Sales returns and allowances	<u>73,915</u>	-	<u>40,380</u>	-
Net sales	16,371,534	74	14,263,768	73
Service revenue	5,619,929	26	5,188,203	27
Other operating revenue	<u>59,560</u>	-	<u>64,018</u>	-
Total operating revenues	<u>22,051,023</u>	<u>100</u>	<u>19,515,989</u>	<u>100</u>
OPERATING COSTS (Notes 4, 20 and 27)				
Cost of goods sold	13,998,053	64	12,224,462	63
Service cost	2,493,196	11	2,246,078	11
Other operating cost	<u>10,482</u>	-	<u>11,238</u>	-
Total operating costs	<u>16,501,731</u>	<u>75</u>	<u>14,481,778</u>	<u>74</u>
GROSS PROFIT	<u>5,549,292</u>	<u>25</u>	<u>5,034,211</u>	<u>26</u>
OPERATING EXPENSES (Notes 18, 20 and 27)				
Selling expenses	4,081,891	18	3,524,984	18
General and administrative expenses	406,474	2	368,538	2
Research and development expenses	<u>453,910</u>	<u>2</u>	<u>452,967</u>	<u>3</u>
Total operating expenses	<u>4,942,275</u>	<u>22</u>	<u>4,346,489</u>	<u>23</u>
PROFIT FROM OPERATIONS	<u>607,017</u>	<u>3</u>	<u>687,722</u>	<u>3</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 14)	68,296	-	44,296	-
Interest income (Note 4)	43,114	-	40,237	-
Dividend income (Note 4)	69,109	-	76,717	1
Other income, net (Note 29)	47,370	-	48,087	-
Gain on sale of investments, net (Notes 14 and 20)	1,720,272	8	601,223	3
Foreign exchange gain (loss), net (Note 4)	2,750	-	(10,379)	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	81,113	1	(222,621)	(1)
Interest expense	(33,500)	-	(30,513)	-
Other expenses	(30,712)	-	(2,131)	-
(Loss) gain on disposal of property, plant and equipment, net (Note 4)	(435)	-	8,589	-
Impairment loss on assets (Notes 4 and 14)	<u>(370,887)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>1,596,490</u>	<u>7</u>	<u>553,505</u>	<u>3</u>

(Continued)



## SYSTEX CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 2,203,507	10	\$ 1,241,227	6
INCOME TAX EXPENSE (Notes 4 and 21)	<u>392,204</u>	<u>2</u>	<u>191,055</u>	<u>1</u>
NET INCOME	<u>1,811,303</u>	<u>8</u>	<u>1,050,172</u>	<u>5</u>
OTHER COMPREHENSIVE (LOSS) INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(41,866)	-	(26,385)	-
Unrealized (loss) gain on equity instruments at fair value through other comprehensive income	(177,121)	(1)	860	-
Share of the other comprehensive income of associates accounted for using the equity method	24	-	5	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 18)	<u>(20)</u>	<u>-</u>	<u>2</u>	<u>-</u>
	<u>(218,983)</u>	<u>(1)</u>	<u>(25,518)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(94,111)	-	80,968	-
Share of the other comprehensive gain (loss) of associates accounted for using the equity method	<u>65,520</u>	<u>-</u>	<u>(17,595)</u>	<u>-</u>
	<u>(28,591)</u>	<u>-</u>	<u>63,373</u>	<u>-</u>
Other comprehensive (loss) income for the year, net of income tax	<u>(247,574)</u>	<u>(1)</u>	<u>37,855</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 1,563,729</u>	<u>7</u>	<u>\$ 1,088,027</u>	<u>6</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,808,042	8	\$ 1,051,418	5
Non-controlling interests	<u>3,261</u>	<u>-</u>	<u>(1,246)</u>	<u>-</u>
	<u>\$ 1,811,303</u>	<u>8</u>	<u>\$ 1,050,172</u>	<u>5</u>

(Continued)

## SYSTEX CORPORATION AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,560,779	7	\$ 1,089,408	6
Non-controlling interests	<u>2,950</u>	<u>-</u>	<u>(1,381)</u>	<u>-</u>
	<u>\$ 1,563,729</u>	<u>7</u>	<u>\$ 1,088,027</u>	<u>6</u>
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$7.31</u>		<u>\$4.27</u>	
Diluted	<u>\$7.28</u>		<u>\$4.26</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2020)

(Concluded)

**SYSTEX CORPORATION AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018  
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)											Non-Controlling Interests (Note 19)	Total Equity
	Retained Earnings						Other Equity			Treasury Shares	Total		
	Common Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments	Unrealized Gain on Financial Assets at Fair Value Through Other Comprehensive Income				
BALANCE AT JANUARY 1, 2018	\$ 2,693,933	\$ 7,363,072	\$ 896,914	\$ 64,494	\$ 2,708,899	\$ 3,670,307	\$ (470,691)	\$ 17,364	\$ -	\$ (1,003,629)	\$ 12,270,356	\$ 51,800	\$ 12,322,156
Effect of retrospective application	-	-	-	-	1,068,262	1,068,262	-	(17,364)	22,619	-	1,073,517	1,215	1,074,732
BALANCE AT JANUARY 1, 2018 AS RESTATED	2,693,933	7,363,072	896,914	64,494	3,777,161	4,738,569	(470,691)	-	22,619	(1,003,629)	13,343,873	53,015	13,396,888
Appropriation of 2017 earnings													
Legal reserve	-	-	117,775	-	(117,775)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	388,833	(388,833)	-	-	-	-	-	-	-	-
Cash dividends - NT\$2.5 per share	-	-	-	-	(673,483)	(673,483)	-	-	-	-	(673,483)	-	(673,483)
Distribution in cash of the capital surplus - NT\$2.5 per share	-	(673,483)	-	-	-	-	-	-	-	-	(673,483)	-	(673,483)
Net income (loss) for 2018	-	-	-	-	1,051,418	1,051,418	-	-	-	-	1,051,418	(1,246)	1,050,172
Other comprehensive income (loss) for 2018	-	-	-	-	(26,240)	(26,240)	63,365	-	865	-	37,990	(135)	37,855
Total comprehensive income (loss) for 2018	-	-	-	-	1,025,178	1,025,178	63,365	-	865	-	1,089,408	(1,381)	1,088,027
Cash dividends received by subsidiaries from the Corporation	-	117,049	-	-	-	-	-	-	-	-	117,049	-	117,049
Actual acquisitions of interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	1,499	1,499
Disposal of investments accounted for by using equity method	-	(77,603)	-	-	-	-	-	-	-	-	(77,603)	-	(77,603)
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	16,057	16,057
BALANCE AT DECEMBER 31, 2018	2,693,933	6,729,035	1,014,689	453,327	3,622,248	5,090,264	(407,326)	-	23,484	(1,003,629)	13,125,761	69,190	13,194,951
Appropriation of 2018 earnings													
Legal reserve	-	-	105,142	-	(105,142)	-	-	-	-	-	-	-	-
Cash dividends - NT\$3.8 per share	-	-	-	-	(1,023,695)	(1,023,695)	-	-	-	-	(1,023,695)	-	(1,023,695)
Special reserve reversed	-	-	-	(69,485)	69,485	-	-	-	-	-	-	-	-
Change in capital surplus and unappropriated earnings from investments in associates accounted for by using equity method	-	(24,447)	-	-	(23,574)	(23,574)	-	-	-	-	(48,021)	-	(48,021)
Distribution in cash of the capital surplus - NT\$1.2 per share	-	(323,272)	-	-	-	-	-	-	-	-	(323,272)	-	(323,272)
Net income (loss) for 2019	-	-	-	-	1,808,042	1,808,042	-	-	-	-	1,808,042	3,261	1,811,303
Other comprehensive income (loss) for 2019	-	-	-	-	(41,584)	(41,584)	(28,582)	-	(177,097)	-	(247,263)	(311)	(247,574)
Total comprehensive income (loss) for 2019	-	-	-	-	1,766,458	1,766,458	(28,582)	-	(177,097)	-	1,560,779	2,950	1,563,729
Disposal of the Corporation's share by subsidiaries regarded as treasury share transaction	-	66,274	-	-	-	-	-	-	-	75,186	141,460	-	141,460
Cash dividends received by subsidiaries from the Corporation	-	107,049	-	-	-	-	-	-	-	-	107,049	-	107,049
Disposal of investments accounted for by using equity method	-	(147,418)	-	-	-	-	-	-	-	-	(147,418)	-	(147,418)
Disposal of investments in equity instruments at of fair value through other comprehensive income	-	-	-	-	(10,055)	(10,055)	-	-	10,055	-	-	-	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	17,350	17,350
BALANCE AT DECEMBER 31, 2019	\$ 2,693,933	\$ 6,407,221	\$ 1,119,831	\$ 383,842	\$ 4,295,725	\$ 5,799,398	\$ (435,908)	\$ -	\$ (143,558)	\$ (928,443)	\$ 13,392,643	\$ 89,490	\$ 13,482,133

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2020)

# SYSTEX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 2,203,507	\$ 1,241,227
Adjustments for :		
Depreciation expenses	256,240	106,052
Amortization expenses	32,651	30,727
Expected credit loss recognized	119,451	4,084
(Gain) loss on financial assets at fair value through profit or loss, net	(81,113)	222,621
Interest expense	33,500	30,513
Interest income	(43,114)	(40,237)
Dividend income	(69,109)	(76,717)
Share of profit of associates	(68,296)	(44,296)
Loss (gain) on disposal of property, plant and equipment, net	435	(8,589)
Gain on sale of investments accounted for using equity method	(1,574,851)	(401,599)
Impairment loss on financial assets	344,184	-
Impairment loss on non-financial assets	26,703	-
Write-down of inventories	102,146	58,245
Unrealized loss on foreign currency exchange, net	1,988	2,116
Changes in operating assets and liabilities		
Financial assets mandatorily classified as at fair value through profit or loss	(22,489)	(112,511)
Notes receivable	34,667	(3,791)
Accounts receivable	(273,394)	(213,097)
Other receivables	(88,908)	(55,654)
Inventories	(275,841)	118,567
Prepayments	(67,934)	(81,346)
Other current assets	7,367	12,545
Contract liabilities	232,592	(86,786)
Notes and accounts payable	670,261	(121,103)
Other payables	196,557	144,988
Other current liabilities	21,821	28,058
Net defined benefit liabilities	(32,662)	(40,011)
Cash generated from operations	1,686,359	714,006
Interest paid	(31,214)	(30,394)
Income tax paid	(260,111)	(127,657)
Net cash generated from operating activities	<u>1,395,034</u>	<u>555,955</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of financial assets at fair value through other comprehensive income	(7,799)	(47,520)
Disposal of financial assets at fair value through other comprehensive income	29,745	-
Return of capital from capital reduction of financial assets at fair value through other comprehensive income	730	1,008
Proceeds on sale of financial assets at amortized cost	-	357,120

(Continued)

# SYSTEX CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
Acquisition of investments accounted for using equity method	\$ (427,226)	\$ (324,840)
Proceeds on sale of investments accounted for using equity method	546,308	589,935
Acquisition of subsidiaries (Note 23)	-	(64,697)
Payments for property, plant and equipment	(136,191)	(93,613)
Proceeds on disposal of property, plant and equipment	221	18,516
Increase in refundable deposits	(9,589)	(103,091)
Payments for intangible assets	(45,429)	(37,224)
Proceeds from disposal of intangible assets	12,354	-
(Increase) decrease in long-term receivables	(10,974)	4,344
Decrease (increase) in pledged time deposits	2,338	(3,066)
(Decrease) increase in other non-current assets	(17,710)	5,458
Interest received	43,288	44,272
Dividends received	69,586	76,717
Dividends received from associates	<u>45,974</u>	<u>23,558</u>
Net cash generated from investing activities	<u>95,626</u>	<u>446,877</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Decrease in short-term loans	(275,154)	(696,043)
Decrease in guarantee deposits received	(1,194)	(3,586)
Repayment of the principal portion of lease liabilities	(144,487)	-
Dividends paid	(1,023,695)	(673,483)
Increase in non-controlling interests	17,350	16,057
Proceeds on disposal of the Corporation's share by subsidiaries	141,460	-
Cash dividends received by subsidiaries from the Corporation	107,049	117,049
Distribution in cash from the capital surplus	<u>(323,272)</u>	<u>(673,483)</u>
Net cash used in financing activities	<u>(1,501,943)</u>	<u>(1,913,489)</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		
	<u>(28,683)</u>	<u>17,731</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(39,966)</b>	<b>(892,926)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>2,815,309</u>	<u>3,708,235</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 2,775,343</u>	<u>\$ 2,815,309</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche audit report dated March 19, 2020)

(Concluded)

# SYSTEX CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

Systex Corporation (the Corporation) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation's shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Corporation's functional currency, the New Taiwan dollars.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 19, 2020.

### 3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively, the "Group"):

- IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

#### Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

### The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on the straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

- 1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- 2) The Group accounts for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- 3) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- 4) The Group uses hindsight, such as in determining lease terms, to measure lease liabilities.

The lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.25%-5.00%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 392,200
Less: Recognition exemption for short-term leases and low-value asset leases	<u>(15,197)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 377,003</u>
Lease liabilities recognized on January 1, 2019 (discounted amounts using the incremental borrowing rate on January 1, 2019)	<u>\$ 337,657</u>

### The Group as lessor

The Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Right-of-use assets	\$ <u>          -</u>	\$ <u>337,657</u>	\$ <u>337,657</u>
Lease liabilities - current	\$ -	\$ 122,877	\$ 122,877
Lease liabilities - non-current	<u>          -</u>	<u>214,780</u>	<u>214,780</u>
Total effect on liabilities	\$ <u>          -</u>	\$ <u>337,657</u>	\$ <u>337,657</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note)</b>
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.



As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs as endorsed and issued into effect by the FSC.

##### b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

##### c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 2) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Corporation.

See Note 13 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquirer's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including subsidiaries and associates in other countries that use currency different from the currency of the Corporation) are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income attributed to the owners of the Corporation and non-controlling interests as appropriate.

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Corporation losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

g. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

i. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss. Before January 1, 2019, property, plant and equipment also included assets held under finance leases.

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. For assets which were held under finance leases before January 1, 2019, if their respective lease term is shorter than the useful lives, such assets are depreciated over lease terms. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

j. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units or groups of cash-generating units (referred to as "cash-generating units") that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

m. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement category

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and equity instruments at fair value through other comprehensive income (“FVTOCI”).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividends or interest earned on such a financial asset.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

A financial asset is credit impaired when one or more of the following events have occurred:

- i) Significant financial difficulty of the issuer or the borrower;
- ii) Breach of contract, such as a default;
- iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or
- iv) The disappearance of an active market for that financial asset because of financial difficulties.

iii. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses ("ECLs") on financial assets at amortized cost (including accounts receivable) and lease receivables.

The Group always recognizes lifetime ECLs for accounts receivable and lease receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in an equity instrument at FVTOCI, the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debts or equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Corporation's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Corporation's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

All the financial liabilities are measured at amortized cost using the effective interest method.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

n. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.



Sales revenue comes from sales of computer hardware and software. Sales of computer hardware and software are recognized as revenue when the goods are delivered to the customers and the customers have full discretion over the price to sell the goods, rights to use the goods, and bears the risks of obsolescence. Accounts receivable are recognized concurrently. The transaction price received under the conditions of a contract is recognized as a contract liability until the goods have been delivered to the customer.

Service revenue comes from maintenance of computer software and hardware, value-added network services and related consultation. As the Group provides services, customers simultaneously receive and consume the benefits provided by the Group's performance. Consequently, the related revenue is recognized when services are rendered. Service revenue other than stated above is recognized when services have been completed.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

o. Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor plus (b) initial direct costs and is presented as a lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Lease payments from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost (the initial measurement of lease liabilities), and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments (fixed payments). The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liability with a corresponding adjustment to the right-of-use assets. However, if the carrying amount of a right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

## 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### 1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

### 2) The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

## p. Employee benefits

### 1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### 2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur, or when the plan amendment or curtailment occurs/when the settlement occurs. Remeasurement (including actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets excluding interest) is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

q. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for investments to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income, in which case, the current and deferred tax are also recognized in other comprehensive income.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

### Valuation of Receivables

The valuation of receivables is based on assumptions about rates of default and expected loss. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment valuation, based on the Group's historical experience, existing market conditions and forward looking estimates. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 522	\$ 490
Checking and savings accounts	2,426,030	1,833,991
Cash equivalent		
Time deposits with original maturities less than 3 months	<u>348,791</u>	<u>980,828</u>
	<u>\$ 2,775,343</u>	<u>\$ 2,815,309</u>
Market interest rate interval		
Time deposits with original maturities less than 3 months	0.60%-2.10%	0.60%-3.01%

## 7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Financial assets mandatorily classified as at FVTPL		
Mutual funds	\$ 3,227,288	\$ 2,917,622
Corporation bonds	11,427	12,200
Listed shares	<u>103,310</u>	<u>149,663</u>
	<u>\$ 3,342,025</u>	<u>\$ 3,079,485</u>

(Continued)

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Non-current</u>		
Financial assets mandatorily classified as at FVTPL		
Unlisted common shares	\$ 1,381,630	\$ 1,618,670
Unlisted preferred shares	95,590	47,877
Others	<u>21,741</u>	<u>13,276</u>
	<u>\$ 1,498,961</u>	<u>\$ 1,679,823</u>
		(Concluded)

## 8. FINANCIAL ASSETS AT FVTOCI - NON-CURRENT

### Investments in Equity Instruments

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
Listed shares (Note 14)	\$ 1,373,557	\$ -
Unlisted shares	113,272	97,695
Others	<u>-</u>	<u>14,175</u>
	<u>\$ 1,486,829</u>	<u>\$ 111,870</u>

These investments in equity instruments are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

In 2019, the share sold at fair value and its related unrealized valuation loss of \$10,055 thousand was transferred from other equity to retained earnings.

## 9. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<b>2019</b>	<b>2018</b>
<u>Non-current</u>		
Domestic corporate bonds	<u>\$ 500,000</u>	<u>\$ 500,000</u>
Interest rate	3.5%	3.5%

## 10. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Gross carrying amount	\$ 500,000	\$ 500,000
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 500,000</u>	<u>\$ 500,000</u>

The Group's exposure and the external credit ratings are continuously monitored. The Group reviews changes in bond yields and other public information and makes an assessment whether there has been a significant increase in credit risk since the last period to the reporting date.

The Group considers the historical default rates of each credit rating supplied by external rating agencies, the current financial condition of debtors, and industry forecast to estimate 12-month or lifetime expected credit losses. The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for Recognizing Expected Credit Losses	Expected Loss Rate	<b>Gross Carrying Amount at December 31</b>	
				<b>2019</b>	<b>2018</b>
Performing	The counterparty has a low risk of default and a strong capacity to meet contractual cash flows	12m ECL	0%	\$ 500,000	\$ 500,000

## 11. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Notes receivable	\$ 36,445	\$ 71,112
Less: Allowance for doubtful accounts	<u>(231)</u>	<u>(231)</u>
	<u>\$ 36,214</u>	<u>\$ 70,881</u>
Accounts receivable	\$ 3,893,435	\$ 3,677,809
Less: Allowance for doubtful accounts	<u>(155,455)</u>	<u>(45,246)</u>
	<u>\$ 3,737,980</u>	<u>\$ 3,632,563</u>
Long-term receivables	\$ 11,649	\$ 638
Less: Unrealized interest income	<u>(75)</u>	<u>(38)</u>
	<u>\$ 11,574</u>	<u>\$ 600</u>

The average credit period of receivables was 60 to 90 days. The Group delegated a department responsible for managing receivables, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all receivables. The expected credit losses on receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of receivables based on the Group's provision matrix.

December 31, 2019

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 270 Days</b>	<b>Over 271 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	0.53%	30.30%	65.11%	
Gross carrying amount	\$ 3,087,772	\$ 241,801	\$ 167,576	\$ 364,705	\$ 68,026	\$ 3,929,880
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(893)</u>	<u>(110,501)</u>	<u>(44,292)</u>	<u>(155,686)</u>
Amortized cost	<u>\$ 3,087,772</u>	<u>\$ 241,801</u>	<u>\$ 166,683</u>	<u>\$ 254,204</u>	<u>\$ 23,734</u>	<u>\$ 3,774,194</u>

December 31, 2018

	<b>Not Past Due</b>	<b>Less than 30 Days</b>	<b>31 to 90 Days</b>	<b>91 to 270 Days</b>	<b>Over 271 Days</b>	<b>Total</b>
Expected credit loss rate	-	-	0.15%	4.21%	56.89%	-
Gross carrying amount	\$ 3,022,517	\$ 284,121	\$ 172,759	\$ 205,220	\$ 64,304	\$ 3,748,921
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>(265)</u>	<u>(8,632)</u>	<u>(36,580)</u>	<u>(45,477)</u>
Amortized cost	<u>\$ 3,022,517</u>	<u>\$ 284,121</u>	<u>\$ 172,494</u>	<u>\$ 196,588</u>	<u>\$ 27,724</u>	<u>\$ 3,703,444</u>

The movements of the loss allowance of receivable were as follows:

	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 45,477	\$ 40,769
Add: Net remeasurement of loss allowance	119,451	4,084
Less: Amount written off	(4,412)	-
Foreign exchange translation gains and losses	<u>(4,830)</u>	<u>624</u>
Balance at December 31	<u>\$ 155,686</u>	<u>\$ 45,477</u>

## 12. INVENTORIES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Merchandise	\$ 3,033,649	\$ 2,861,767
Maintenance parts	<u>30,438</u>	<u>32,409</u>
	<u><b>\$ 3,064,087</b></u>	<u><b>\$ 2,894,176</b></u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$13,998,053 thousand and \$12,224,462 thousand, respectively. The cost of goods sold included inventory write-downs of \$102,146 thousand and \$58,245 thousand, respectively.

## 13. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Main Business	<b>% of Ownership</b>		Remark
			<b>2019</b>	<b>2018</b>	
The Corporation	Concord System Management Corporation (CSMC)	Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services.	100.00	100.00	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding.	100.00	100.00	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities.	48.92	48.92	a)
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services.	100.00	100.00	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities.	100.00	100.00	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation.	100.00	100.00	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities.	100.00	100.00	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding.	100.00	100.00	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software.	84.07	84.07	
The Corporation	Nexsys Corporation (Nexsys)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	
The Corporation	Systex Solutions Corporation II (Systex Solutions II)	Design, construction and sale of telecom instrument, electronic calculator and computer.	100.00	100.00	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software.	84.19	84.19	
The Corporation	Naturint Corporation (Naturint)	Installation, sale, information software, data processing and other consultation of computer software and related equipment, network certification and software publication.	100.00	100.00	

(Continued)



Investor	Investee	Main Business	% of Ownership		Remark
			2019	2018	
GBC	SoftMobile Technology Corporation (Soft Mobile)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.00	100.00	
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Design, installation, maintenance, lease and consultation of computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances.	69.59	69.59	
Syspower	Medincom Technology Corporation (Medincom)	Installation, sale and consultation of computer software and related equipment, and wholesale and retailing of medical appliances.	-	100.00	b)
CSMC	Top Information Technologies Co., Ltd. (Top Information)	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	98.98	98.59	c)
Top Information	Top International Holdings Ltd. (Top International)	General Investment activities	-	100.00	c)
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software.	100.00	100.00	
Kimo BVI	System Information (H.K.) Limited (System Info)	Sale of computer and peripheral equipment, retailing and processing of information of software.	100.00	100.00	
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Design of computer system, information processing service provider, retailing of computer and peripheral equipment.	100.00	100.00	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software.	100.00	100.00	d)
Kimo BVI	System Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	d)
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.00	100.00	
Kimo BVI	System Solutions (HK) Limited (SSHK)	Investment activities including financial trust and holding.	100.00	100.00	
Kimo BVI and SCGI	Syscore Corporation (Syscore)	General investment activities.	100.00	100.00	
Syscore	Syslink Corporation (Syslink)	General Investment activities	100.00	100.00	e)
Syslink	Syswiser Technology Corporation (Syswiser)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	100.00	f)
Syslink	Smartsys Technology Corporation (Smartsys)	Design, installation and maintenance of computer information and communication engineering, and design and sale of computer system software	100.00	100.00	f)
System Info	System Group (China) Ltd. (System China)	Management consultation, marketing and sale, and capital and operation financial management.	100.00	100.00	
System and Ucom Shanghai	Rainbow Tech (Guangzhou) Inc. (RTGI)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	100.00	
System China	System Ucom (Shanghai) Information Ltd. Co. (System Ucom)	Software design and data processing, retailing and service of software.	100.00	100.00	
RTGI and System Ucom	Guangzhou System Rainbow Tech Inc. (Rainbow Information)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.00	-	g)

(Concluded)

- a. The Group holds a 48.92% interest in Hanmore. The directors of the Corporation consider the Group's absolute size of holding in Hanmore and the relative size of and dispersion of the shareholdings owned by the other shareholders and concluded that the Group has the practical ability to direct the relevant activities of Hanmore and therefore the Group has control over Hanmore.

- b. Due to organization adjustment, the shareholders' meeting of TEDP on December 24, 2018, and Syspower's board of directors on December 25, 2018, respectively, approved that TEDP would sell all of its shares of Medincom to Syspower. In addition, the board of directors of Syspower and Medincom approved the merger of Syspower and Medincom, with base date of consolidation as January 31, 2019, and Syspower is the surviving company and Medincom is the dissolved company.
- c. CSMC acquired 98.59% interest of Top Information in November 2018. Since the date of acquisition, Top Information and its subsidiary, Top International, were included in consolidated financial statements of the Group. In April 2019, CSMC purchased 0.39% interests of Top Information from non-controlling interests and increased its share of interests. In addition, Top International completed liquidation and dissolution in January 2019.
- d. The Corporation's board of directors approved the merger of Systek and Ucom Shanghai on March 22, 2018. The merger process is completed in January 2020. After that, Systek is the surviving company and Ucom Shanghai is the dissolved company.
- e. Syslink was incorporated in March 2018.
- f. Syswiser and Smartsys were both incorporated in April 2018.
- g. Rainbow Information was incorporated in January 2019.

All accounts of subsidiaries were included in the consolidated financial statements for the years ended December 31, 2019 and 2018.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2018 of Sysware Singapore, Stystex Info and RTIHK were not audited. The aggregate assets of the subsidiary as of December 31, 2018 amounted to \$701,873 thousand, which was 3.51% of the consolidated assets, and the aggregate liabilities amounted to was \$166,726 thousand, which was 2.46% of the consolidated liabilities. The aggregate net operating revenues of the subsidiary in 2018 amounted to \$1,090,477 thousand, which was 5.59% of the consolidated net operating revenues, and the aggregate amounts of comprehensive gain (loss) amounted to \$3,120 thousand in 2018, which was 0.29% of the consolidated total comprehensive income. The Corporation believes that any adjustment that might have resulted had the financial statements of the subsidiary been audited would not be material to the consolidated financial statements taken as a whole.

#### 14. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Investments in associates</u>		
Material associates		
Forms Syntron Information (Shenzhen) Limited	\$ -	\$ 498,394
Associates that are not individually material	<u>826,251</u>	<u>742,422</u>
	<u>\$ 826,251</u>	<u>\$ 1,240,816</u>

a. Material associates

<b>Name of Associates</b>	<b>Proportion of Ownership and Voting Rights December 31, 2018</b>
Forms Syntron Information (Shenzhen) Limited	7.69%

2019

Although the Group owns less than 20% interest of Forms Syntron Information (Shenzhen) Limited, the Group has significant influence over the investee; therefore, the investment is accounted for using the equity method.

In 2019, the Group sold partial investments in Forms Syntron Information (Shenzhen) Limited and recognized gain on disposal of investments amounted to \$427,952 thousand, which was calculated by proceeds from disposal of \$548,308 thousand less book amount of \$158,106 thousand and the disposal in proportion to previously recognized capital surplus and other comprehensive income related to the investee \$39,750 thousand.

Moreover, the Group lost significant influence on Forms Syntron Information (Shenzhen) Limited in December 2019 and recognized financial assets at FVTOCI of \$1,390,694 thousand in the amount of fair value of shares owned by the Group on the date of losing significant influence. The Group recognized gain on disposal of investment \$1,146,899 thousand, which was calculated by the difference between fair value and book value of shares owned by the Group \$1,088,447 thousand and previously recognized capital surplus and other comprehensive income related to the investee of \$58,452 thousand.

2018

Fair values (Level 1) of investment in the associate with available published price quotation are summarized as follows:

<b>Name of Associate</b>	<b>December 31, 2018</b>
Forms Syntron Information (Shenzhen) Limited	<u>\$ 805,701</u>

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Forms Syntron Information (Shenzhen) Limited

	<b>December 31, 2018</b>
Assets	\$ 5,798,521
Liabilities	<u>(530,003)</u>
Equity	<u>\$ 5,268,518</u>
Proportion of the Group's ownership	7.69%

(Continued)

	<b>December 31, 2018</b>
Equity attributable to the Group	\$ 405,281
Goodwill	95,299
Other payables	<u>(2,186)</u>
Carrying amount	<u>\$ 498,394</u> (Concluded)
	<b>For the Year Ended December 31, 2018</b>
Operating revenue	<u>\$ 2,222,755</u>
Net profit for the year	\$ 313,687
Other comprehensive income (loss)	<u>11,571</u>
Total comprehensive income for the year	<u>\$ 325,258</u>
Dividends received from Forms Syntron Information (Shenzhen) Limited	<u>\$ 10,555</u>

b. Aggregate information of associates that are not individually material

	<u><b>For the Year Ended December 31</b></u>	
	<b>2019</b>	<b>2018</b>
The Group's share of:		
Net profit for the year	\$ 45,680	\$ 16,185
Other comprehensive income (loss)	<u>16,704</u>	<u>(8,595)</u>
Total comprehensive income for the year	<u>\$ 62,384</u>	<u>\$ 7,590</u>

In 2019, the impairment loss was \$344,184 thousand by associates that are not individually material.

Except for E-Customer Capital Limited, Systex Infopro Co., Ltd., Sunlight-tech Inc., GenSys Technology (International) Ltd., Sanfran Technologies Inc., Mohist Wet Technology Co., Ltd., Retail System Co., Ltd., Shengsen Corp., Frog-jump Information Co., Ltd., Dawning Technology Inc. and AIWin Technology Co., Ltd. for the year ended December 31, 2019, E-Customer Capital Limited, Systex Infopro Co., Sunlight-tech Inc., GenSys Technology, International, Ltd., Retail System Co., Sanfan Technologies Inc., Shengesen Corp., Frog-jump Information Co. and AIWin Technology Co., Ltd. for the year ended December 31, 2018, investments accounted for using the equity method and the share of profit or loss and other comprehensive income were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under the equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
<b>Cost</b>								
Balance at January 1, 2018	\$ 825,758	\$ 1,468,481	\$ 194,023	\$ 13,881	\$ 66,850	\$ 38,418	\$ 86,475	\$ 2,693,886
Additions	-	-	56,938	1,688	5,770	19,425	9,792	93,613
Disposals	(12,946)	(19,195)	(17,459)	(1,880)	(17,764)	(7,521)	(18,544)	(95,309)
Acquisitions through business combinations (Note 23)	-	-	3,077	471	-	5,277	1,436	10,261
Reclassification	-	-	(4,022)	-	(261)	-	(81)	(4,364)
Effect of foreign currency exchange differences	-	(4,818)	197	(44)	(95)	93	(573)	(5,240)
Balance at December 31, 2018	<u>\$ 812,812</u>	<u>\$ 1,444,468</u>	<u>\$ 232,754</u>	<u>\$ 14,116</u>	<u>\$ 54,500</u>	<u>\$ 55,692</u>	<u>\$ 78,505</u>	<u>\$ 2,692,847</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2018	\$ 14,853	\$ 504,309	\$ 99,791	\$ 4,822	\$ 47,124	\$ 23,200	\$ 59,262	\$ 753,361
Depreciation expenses	-	22,438	47,451	2,063	15,239	8,442	10,419	106,052
Disposals	(7,159)	(15,521)	(17,422)	(1,691)	(17,764)	(7,381)	(18,444)	(85,382)
Acquisitions through business combinations (Note 23)	-	-	2,689	471	-	4,889	1,093	9,142
Reclassification	-	-	(2,141)	-	(166)	-	(75)	(2,382)
Effect of foreign currency exchange differences	-	(1,064)	265	(17)	(95)	(26)	(337)	(1,274)
Balance at December 31, 2018	<u>\$ 7,694</u>	<u>\$ 510,162</u>	<u>\$ 130,633</u>	<u>\$ 5,648</u>	<u>\$ 44,338</u>	<u>\$ 29,124</u>	<u>\$ 51,918</u>	<u>\$ 779,517</u>
Carrying amounts at December 31, 2018	<u>\$ 805,118</u>	<u>\$ 934,306</u>	<u>\$ 102,121</u>	<u>\$ 8,468</u>	<u>\$ 10,162</u>	<u>\$ 26,568</u>	<u>\$ 26,587</u>	<u>\$ 1,913,330</u>
<b>Cost</b>								
Balance at January 1, 2019	\$ 812,812	\$ 1,444,468	\$ 232,754	\$ 14,116	\$ 54,500	\$ 55,692	\$ 78,505	\$ 2,692,847
Additions	-	-	58,082	-	34,590	24,828	18,691	136,191
Disposals	-	-	(69,830)	(1,297)	(38,203)	(12,846)	(20,358)	(142,534)
Reclassification	-	-	(641)	-	(419)	-	146	(914)
Effect of foreign currency exchange differences	-	(10,814)	(1,158)	(65)	(81)	(218)	(1,304)	(13,640)
Balance at December 31, 2019	<u>\$ 812,812</u>	<u>\$ 1,433,654</u>	<u>\$ 219,207</u>	<u>\$ 12,754</u>	<u>\$ 50,387</u>	<u>\$ 67,456</u>	<u>\$ 75,680</u>	<u>\$ 2,671,950</u>
<b>Accumulated depreciation and impairment</b>								
Balance at January 1, 2019	\$ 7,694	\$ 510,162	\$ 130,633	\$ 5,648	\$ 44,338	\$ 29,124	\$ 51,918	\$ 779,517
Depreciation expenses	-	22,262	48,942	2,159	14,334	11,790	10,477	109,964
Disposals	-	-	(69,607)	(1,297)	(38,203)	(12,414)	(20,357)	(141,878)
Reclassification	-	-	(167)	-	(459)	-	-	(626)
Effect of foreign currency exchange differences	-	(2,590)	(713)	(19)	(83)	(143)	(1,128)	(4,676)
Balance at December 31, 2019	<u>\$ 7,694</u>	<u>\$ 529,834</u>	<u>\$ 109,088</u>	<u>\$ 6,491</u>	<u>\$ 19,927</u>	<u>\$ 28,357</u>	<u>\$ 40,910</u>	<u>\$ 742,301</u>
Carrying amounts at December 31, 2019	<u>\$ 805,118</u>	<u>\$ 903,820</u>	<u>\$ 110,119</u>	<u>\$ 6,263</u>	<u>\$ 30,460</u>	<u>\$ 39,099</u>	<u>\$ 34,770</u>	<u>\$ 1,929,649</u>

The above items of property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives as follows:

Buildings	19-60 years
Computer equipment and other equipment	3-7 years
Transportation equipment	5-6 years
Lease equipment	2-5 years
Leasehold improvements	2-5 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 28.

## 16. LEASE ARRANGEMENTS

### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Buildings	\$ 208,410
Machinery	<u>111,613</u>
	<u>\$ 320,023</u>
	<b>For the Year Ended December 31, 2019</b>
Additions to right-of-use assets	<u>\$ 129,706</u>
Depreciation charge for right-of-use assets	
Buildings	\$ 101,874
Machinery	<u>44,402</u>
	<u>\$ 146,276</u>

### b. Lease liabilities - 2019

	<b>December 31, 2019</b>
<u>Carrying amounts</u>	
Current	<u>\$ 124,295</u>
Non-current	<u>\$ 197,816</u>

Range of discount rate for lease liabilities was as follows:

	<b>December 31, 2019</b>
Buildings	1.25%-5.00%
Machinery	1.25%

### c. Material lease on activities and terms

The Group leases buildings for the use of offices and equipments for the use of operation with lease terms of 1 to 7 years. The Group does not have bargain purchase options to acquire the leasehold buildings and equipments at the end of the lease terms.

d. Other lease information

2019

**For the Year  
Ended  
December 31,  
2019**

Expenses relating to short-term leases and low-value asset leases	<u>\$ 69,949</u>
Total cash outflow for leases	<u>\$ 219,157</u>

The Group leases certain office equipment which qualify as short-term leases and low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

The amount of lease commitments for short-term leases for which the recognition exemption is applied was \$19,437 thousand as of December 31, 2019.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	<b>Amount</b>
Not later than 1 year	\$ 141,194
Later than 1 year	<u>251,006</u>
	<u>\$ 392,200</u>

The lease payments and sublease payments recognized in profit or loss were as follows:

	<b>For the Year Ended December 31, 2018</b>
Minimum lease payments	<u>\$ 233,325</u>

**17. SHORT-TERM LOANS**

**Bank Loans**

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Unsecured loans	\$ 435,054	\$ 321,650
Secured loans	<u>92,247</u>	<u>494,275</u>
	<u>\$ 527,301</u>	<u>\$ 815,925</u>
Annual interest rate		
Unsecured loans	4.57%-4.60%	1.16%-2.35%
Secured loans	4.57%	1.50%-5.66%

Refer to Note 28 for the carrying amounts of property, plant and equipment - buildings and the Corporation's shares provided as collaterals for the above secured bank loans.

## 18. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

The Corporation and its domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of Systex Info, RTIHK, Systek, Ucom Shanghai, Sysware Shenglong, RTGI, Systex China, Systex Ucom, Rainbow Information and Sysware Singapore are members of state-managed retirement benefit plans operated by the governments of their respective jurisdictions. The subsidiaries are required to contribute specific percentages of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

### b. Defined benefit plans

The defined benefit plan adopted by the Corporation and several of its domestic subsidiaries in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Present value of defined benefit obligation	\$ 648,286	\$ 615,763
Fair value of plan assets	<u>(365,430)</u>	<u>(342,111)</u>
Net defined benefit liability	<u>\$ 282,856</u>	<u>\$ 273,652</u>



Movements in net defined benefit liability were as follows:

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability</b>
Balance at January 1, 2018	<u>\$ 504,162</u>	<u>\$ (240,525)</u>	<u>\$ 263,637</u>
Service cost			
Current service cost	2,071	-	2,071
Net interest expense (income)	<u>7,681</u>	<u>(3,999)</u>	<u>3,682</u>
Recognized in profit or loss	<u>9,752</u>	<u>(3,999)</u>	<u>5,753</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(7,808)	(7,808)
Actuarial loss - changes in demographic assumptions	264	-	264
Actuarial loss - changes in financial assumptions	13,072	-	13,072
Actuarial loss - experience adjustments	<u>20,857</u>	<u>-</u>	<u>20,857</u>
Recognized in other comprehensive income	<u>34,193</u>	<u>(7,808)</u>	<u>26,385</u>
Contributions from the employer	-	(45,764)	(45,764)
Benefits paid	(14,930)	14,930	-
Business combinations (Note 23)	<u>82,586</u>	<u>(58,945)</u>	<u>23,641</u>
Balance at December 31, 2018	<u>615,763</u>	<u>(342,111)</u>	<u>273,652</u>
Service cost			
Current service cost	2,413	-	2,413
Net interest expense (income)	<u>6,798</u>	<u>(3,924)</u>	<u>2,874</u>
Recognized in profit or loss	<u>9,211</u>	<u>(3,924)</u>	<u>5,287</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(10,083)	(10,083)
Actuarial loss - changes in demographic assumptions	668	-	668
Actuarial loss - changes in financial assumptions	25,322	-	25,322
Actuarial loss - experience adjustments	<u>25,959</u>	<u>-</u>	<u>25,959</u>
Recognized in other comprehensive income	<u>51,949</u>	<u>(10,083)</u>	<u>41,866</u>
Contributions from the employer	-	(39,825)	(39,825)
Benefits paid	(30,513)	30,513	-
Others	<u>1,876</u>	<u>-</u>	<u>1,876</u>
Balance at December 31, 2019	<u>\$ 648,286</u>	<u>\$ (365,430)</u>	<u>\$ 282,856</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.
- 2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates	0.75%-1.75%	1.05%-1.75%
Expected rates of salary increase	1.10%-2.50%	1.00%-2.50%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Discount rates		
0.25%-0.5% increase	<u>\$ (30,957)</u>	<u>\$ (30,637)</u>
0.25%-0.5% decrease	<u>\$ 33,263</u>	<u>\$ 32,985</u>
Expected rates of salary increase		
0.25%-0.5% increase	<u>\$ 32,859</u>	<u>\$ 32,712</u>
0.25%-0.5% decrease	<u>\$ (30,872)</u>	<u>\$ (30,660)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
The expected contributions to the plan for the next year	<u>\$ 42,667</u>	<u>\$ 42,701</u>
The average duration of the defined benefit obligation	12 years	12 years

## 19. EQUITY

### a. Share capital

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of common shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Common shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of common shares issued (in thousands)	<u>269,393</u>	<u>269,393</u>
Common shares issued	<u>\$ 2,693,933</u>	<u>\$ 2,693,933</u>

Fully paid common shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>May be used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)</u>		
Issue of common shares	\$ 4,641,487	\$ 4,964,759
Donations	544	544
Treasury share transactions	1,730,914	1,557,591
<u>May only be used to offset a deficit</u>		
Changes in percentage of ownership interest in subsidiaries (2)	8,576	8,576
Share of changes in associates accounted for by using equity method	21,207	193,072
Gain on sale of property and equipment	<u>4,493</u>	<u>4,493</u>
	<u>\$ 6,407,221</u>	<u>\$ 6,729,035</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

c. Retained earnings and dividends policy

Under the dividend policy as set forth in the Corporation's Articles ("Articles"), where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors, please refer to Note 20 c. for employees' compensation and remuneration of directors in.

For the goal of sustainable operation and development, the Corporation considers the overall environment and the nature of industry growth along with the long-term financial planning, and applies the dividend policy for residual earnings. The Corporation evaluates the annual funding requirements according to its future capital budget and retains the required fund from the earnings, and distributes the residual earnings as follows:

- 1) Determine the optimal capital budget.
- 2) Determine the funding requirements to meet the optimal capital budget.
- 3) Determine the funding requirements to be met by unappropriated earnings (the remaining may be met through capital increase by cash or issuance of bonds).
- 4) The residual earnings, less an appropriate portion for the operation requirements, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or shares. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficits. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the local regulations, an amount equals to the net debit balance of total other equity items shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

The appropriations of earnings for 2018 and 2017 had been approved in the shareholders' meetings held on June 13, 2019 and June 15, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share</b>	
	<b>For the Year Ended</b>		<b>(NT\$)</b>	
	<b>December 31</b>		<b>For the Year Ended</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 105,142	\$ 117,775	\$ -	\$ -
Special reserve	(69,485)	388,833	-	-
Cash dividends	<u>1,023,695</u>	<u>673,483</u>	<u>3.8</u>	<u>2.5</u>
	<u>\$ 1,059,352</u>	<u>\$ 1,180,091</u>	<u>\$ 3.8</u>	<u>\$ 2.5</u>

The shareholders resolved the distribution in cash of the capital surplus arising from issuance of common shares in the shareholders' meeting held on June 13, 2019 and June 15, 2018, respectively. The distribution amounted to \$323,272 thousand (at NT\$1.2 per share) and \$673,483 thousand (at NT\$2.5 per share), respectively.

The appropriations of earnings for 2019 had been proposed by the Corporation's board of directors on March 19, 2020. The appropriations of earnings and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 180,804	\$ -
Appropriation of special reserve	195,623	-
Cash dividends	1,346,967	5.0

The appropriations of 2019 earnings and distribution of capital surplus will be resolved by the shareholders in their meeting scheduled for June 2020.

Information about the appropriations of earnings and distribution of capital surplus are available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Others equity items

1) Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (407,326)	\$ (470,691)
Exchange differences arising on translating the net asset of foreign operations	(94,102)	80,960
Share of exchange difference of associates accounted for using the equity method	<u>65,520</u>	<u>(17,595)</u>
Balance at December 31	<u>\$ (435,908)</u>	<u>\$ (407,326)</u>

2) Unrealized (loss) gain on financial assets as at FVTOCI

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1 per IFRS 9	\$ 23,484	\$ 22,619
Recognized for the year		
Unrealized (loss) gain on equity investments	(177,121)	860
Share from associates accounted for using the equity method	24	5
Cumulative unrealized gain/(loss) of equity instruments transferred to retained earnings	<u>10,055</u>	<u>-</u>
Balance at December 31	<u>\$ (143,558)</u>	<u>\$ 23,484</u>

f. Treasury shares (in thousand)

<b>Purpose of Treasury Share</b>	<b>Number of Shares at January 1</b>	<b>Increase During the Year</b>	<b>Decrease During the Year</b>	<b>Number of Shares at December 31</b>
<u>2019</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>23,410</u>	<u>-</u>	<u>2,000</u>	<u>21,410</u>
<u>2018</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>23,410</u>	<u>-</u>	<u>-</u>	<u>23,410</u>

The Corporation's shares held by subsidiaries at end of reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Hanmore</u>		
Share (in thousand)	<u>21,317</u>	<u>21,317</u>
Investments cost	<u>\$ 755,480</u>	<u>\$ 781,060</u>
Market value	<u>\$ 1,609,409</u>	<u>\$ 1,310,976</u>
<u>Ching Pu</u>		
Share (in thousand)	<u>10,982</u>	<u>12,982</u>
Investments cost	<u>\$ 264,093</u>	<u>\$ 306,490</u>
Market value	<u>\$ 829,101</u>	<u>\$ 798,361</u>

For the Corporation's shares held by Hanmore, the investment cost at 48.92% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using equity method to treasury shares, amounting to \$515,618 (10,428 thousand shares) as of December 31, 2019 and 2018, respectively. The remaining was treated as recoveries from Hanmore's non-controlling interests, accounted for deduction to non-controlling interests in balance sheets.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

g. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ 69,190	\$ 53,015
Attributable to non-controlling interests:		
Share of gain (loss) for the year	3,261	(1,246)
Remeasurement on defined benefit plans	(302)	(143)
Exchange difference on translating the net assets of foreign operations	(9)	8
Non-controlling interests arising from cash dividends received by subsidiaries (Hanmore) from the Corporation	54,441	54,441
Non-controlling interests arising from acquisition of subsidiaries (Top Information) (Notes 23 and 24)	(592)	1,499
Non-controlling interests arising from capital reduction of subsidiary (TEDP)	(4,745)	-
Cash dividends received from subsidiaries	<u>(31,754)</u>	<u>(38,384)</u>
Balance at December 31	<u>\$ 89,490</u>	<u>\$ 69,190</u>

## 20. NET PROFIT

### a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 109,964	\$ 106,052
Right-of-use assets	146,276	-
Intangible assets	<u>32,651</u>	<u>30,727</u>
	<u>\$ 288,891</u>	<u>\$ 136,779</u>
 An analysis of depreciation by function		
Operating costs	\$ 95,962	\$ 27,387
Operating expenses	<u>160,278</u>	<u>78,665</u>
	<u>\$ 256,240</u>	<u>\$ 106,052</u>
 An analysis of amortization by function		
Operating costs	\$ 2,929	\$ 3,341
Operating expenses	<u>29,722</u>	<u>27,386</u>
	<u>\$ 32,651</u>	<u>\$ 30,727</u>

### b. Employee benefits expenses

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Post-employment benefits		
Defined contribution plans	\$ 162,833	\$ 154,162
Defined benefits plans (Note 18)	<u>5,287</u>	<u>5,753</u>
	168,120	159,915
Payroll	3,214,903	2,827,867
Labor and health insurance	262,000	231,349
Other employee benefits	<u>134,095</u>	<u>120,101</u>
	<u>\$ 3,779,118</u>	<u>\$ 3,339,232</u>
 An analysis of employee benefits expenses by function		
Operating costs	\$ 63,734	\$ 9,837
Operating expenses	<u>3,715,384</u>	<u>3,329,395</u>
	<u>\$ 3,779,118</u>	<u>\$ 3,339,232</u>

As of December 31, 2019 and 2018, the Group has 3,457 and 3,264 employees, respectively.

c. Employees' compensation and remuneration of directors

The Corporation accrued employees' compensation and remuneration of directors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2019 and 2018 which have been approved by the Corporation's board of directors on March 19, 2020 and March 21, 2019, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
	<b>Cash</b>	<b>Cash</b>
Employees' compensation	\$ 58,883	\$ 34,056
Remuneration of directors	39,255	22,704

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the year ended December 31, 2018.

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2020 and 2019 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

d. Gain on sale of investments, net

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Disposal of financial assets at FVTPL	\$ 145,421	\$ 199,624
Disposal of investments accounted for using the equity method	<u>1,574,851</u>	<u>401,599</u>
	<u>\$ 1,720,272</u>	<u>\$ 601,223</u>

e. Impairment losses on assets

	<b>For the Year Ended December 31, 2019</b>
Investments accounted for using the equity method	\$ 344,184
Goodwill	<u>26,703</u>
	<u>\$ 370,887</u>



## 21. INCOME TAXES

### a. Income tax recognized in profit or loss

The major components of tax expenses are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current year	\$ 146,014	\$ 155,687
Additional income tax on unappropriated earnings	51,391	505
Land value increment tax	-	209
Additional income tax under the Alternative Minimum Tax Act	11,499	7,510
Investment tax credit deduction	(24,285)	(8,819)
Enterprise income tax on securities	55,209	55,982
Adjustments for prior years' tax	<u>(2,762)</u>	<u>(3,087)</u>
	<u>237,066</u>	<u>207,987</u>
Deferred tax		
In respected of the current year	154,265	(12,857)
Adjustments for prior years' tax	873	-
Effect of tax rate changes	<u>-</u>	<u>(4,075)</u>
	<u>155,138</u>	<u>(16,932)</u>
Income tax expense recognized in profit or loss	<u>\$ 392,204</u>	<u>\$ 191,055</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 2,203,507</u>	<u>\$ 1,241,227</u>
Income tax expense calculated at the statutory rate	\$ 440,701	\$ 248,245
Permanent difference	89,907	(44,025)
Additional income tax on unappropriated earnings	51,391	505
Unrecognized investment credits	(22)	(35)
Unrecognized loss carryforwards (loss carryforwards used)	24,570	(25)
Effect of different tax rate of group entities operating in other jurisdictions	(279,162)	(70,149)
Adjustments for prior years' tax	(1,889)	(3,087)
Land value increment tax	-	209
Enterprise Income Tax on securities	55,209	55,982
Additional income tax under the Alternative Minimum Tax Act	11,499	7,510
Effect of tax rate changes	<u>-</u>	<u>(4,075)</u>
Income tax expense recognized in profit or loss	<u>\$ 392,204</u>	<u>\$ 191,055</u>

Systex Solution (HK) Limited sold investments accounted for using equity method and financial assets at FVTOCI in 2019 and 2018 and incurred Enterprise Income Tax of \$55,209 thousand and \$55,982 thousand, respectively, according to the related tax laws in its jurisdiction.

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings was reduced from 10% to 5%.

The applicable tax rate used by subsidiaries in China is 25%. SCGI and KIMO are exempt from income tax under their local government regulations. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings. The Group has already deducted the amount of capital expenditure from the unappropriated earnings in 2018 that was reinvested when calculating the tax on unappropriated earnings for the year ended December 2019.

b. Income tax recognized in other comprehensive income

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	\$ <u>(20)</u>	\$ <u>2</u>

c. Current tax assets and liabilities

	<u>December 31</u>	
	2019	2018
Current tax assets (included in other receivables)		
Tax refund receivable	\$ <u>5,083</u>	\$ <u>4,665</u>
Current tax liabilities		
Income tax payable	\$ 101,162	\$ 118,128
In respect of prior years	<u>2,576</u>	<u>8,561</u>
	<u>\$ 103,738</u>	<u>\$ 126,689</u>

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 17,757	\$ 20,773	\$ -	\$ -	\$ 38,530
Payable for annual leave	2,394	(305)	-	-	2,089
Others	<u>31,090</u>	<u>(15,780)</u>	<u>(20)</u>	<u>-</u>	<u>15,290</u>
	51,241	4,688	(20)	-	55,909
Loss carryforwards	3,143	(1,979)	-	-	1,164
Investment credits	<u>21,216</u>	<u>(21,025)</u>	<u>-</u>	<u>-</u>	<u>191</u>
	<u>\$ 75,600</u>	<u>\$ (18,316)</u>	<u>\$ (20)</u>	<u>\$ -</u>	<u>\$ 57,264</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>					
Temporary differences					
Exchange differences on foreign operations	\$ 5,846	\$ -	\$ -	\$ -	\$ 5,846
Gain on the disposal of investments	-	136,551	-	(3,322)	133,229
Others	<u>92</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>363</u>
	<u>\$ 5,938</u>	<u>\$ 136,822</u>	<u>\$ -</u>	<u>\$ (3,322)</u>	<u>\$ 139,438</u>

(Concluded)

For the year ended December 31, 2018

	Opening Balance	Acquisition from Business Combinations	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Closing Balance
<u>Deferred tax assets</u>					
Temporary differences					
Allowance for loss on inventories	\$ 5,879	\$ 708	\$ 11,170	\$ -	\$ 17,757
Payable for annual leave	1,449	86	859	-	2,394
Others	<u>15,539</u>	<u>2,122</u>	<u>13,427</u>	<u>2</u>	<u>31,090</u>
	22,867	2,916	25,456	2	51,241
Loss carryforwards	2,255	-	888	-	3,143
Investment credits	<u>29,748</u>	<u>-</u>	<u>(8,532)</u>	<u>-</u>	<u>21,216</u>
	<u>\$ 54,870</u>	<u>\$ 2,916</u>	<u>\$ 17,812</u>	<u>\$ 2</u>	<u>\$ 75,600</u>
<u>Deferred tax liabilities</u>					
Temporary differences					
Exchange differences on foreign operations	\$ 4,969	\$ -	877	\$ -	\$ 5,846
Others	<u>54</u>	<u>35</u>	<u>3</u>	<u>-</u>	<u>92</u>
	<u>\$ 5,023</u>	<u>\$ 35</u>	<u>\$ 880</u>	<u>\$ -</u>	<u>\$ 5,938</u>

- e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Loss carryforwards		
Expiry in 2019	\$ -	\$ 121,102
Expiry in 2020	18,923	19,687
Expiry in 2021	4,316	4,316
Expiry in 2022	40,064	78,990
Expiry in 2023	324	49,995
Expiry in 2024	14,071	29,353

(Continued)

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Expiry in 2025	\$ 92,084	\$ 109,271
Expiry in 2026	103,322	124,452
Expiry in 2027	6,476	30,435
Expiry in 2028	8,175	25,407
Expiry in 2029	<u>165,249</u>	<u>-</u>
	<u>\$ 453,004</u>	<u>\$ 593,008</u>
Investment credits		
Equity investment	\$ -	\$ 1,945
Research and development	<u>-</u>	<u>4,504</u>
	<u>\$ -</u>	<u>\$ 6,449</u>

(Concluded)

f. Information about unused investment credits and unused loss carryforwards

As of December 31, 2019, investment tax credits comprised:

<b>Laws and Statutes</b>	<b>Tax Credit Source</b>	<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
Act for Promotion of Private Participation in Infrastructure Project	Equity investment	<u>\$ 191</u>	2020

Loss carryforwards as of December 31, 2019 comprised:

<b>Expiry Year</b>	<b>Total Credit</b>
2020	\$ 18,923
2021	4,316
2022	40,064
2023	324
2024	14,071
2025	92,084
2026	103,322
2027	10,570
2028	9,608
2029	<u>165,544</u>
	<u>\$ 458,826</u>

g. Income tax assessments

Income tax returns through 2017 and undistributed earnings through 2016 of the Corporation, Nexsys, Taifon, Medincom, CSMC, Ching Pu, Hanmore, TEDP, Syspower, Soft Mobile, Systex Solution II, Syscore and Top Information; income tax returns through 2018 and undistributed earnings through 2017 of the SSSC, GBC, Etu, Naturint, Syswiser, Syslink and Smartsys have been assessed by the tax authorities.

## 22. EARNINGS PER SHARE

The earnings and weighted average number of common shares outstanding in the computation of earnings per share were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,808,042</u>	<u>\$ 1,051,418</u>
<u>Number of shares (thousand)</u>		
Weighted average number of common shares in the computation of basic earnings per share	247,296	245,983
Effect of potentially dilutive common shares:		
Employees' compensation	<u>892</u>	<u>558</u>
Weighted average number of common shares in the computation of diluted earnings per share	<u>248,188</u>	<u>246,541</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$7.31</u>	<u>\$4.27</u>
Diluted earnings per share	<u>\$7.28</u>	<u>\$4.26</u>

If the Corporation can settle bonus to employees in cash or shares, the Corporation should assume the entire amount of the bonus will be settled in shares and the resulting potential shares, if dilutive, should be included in the weighted average number of shares outstanding used in the computation of diluted earnings per share. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro-forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,889,399</u>	<u>\$ 1,109,943</u>
<u>Number of shares (thousand)</u>		
Weighted average number of common shares in the computation of pro forma earnings per shares	269,393	269,393
Effect of potentially dilutive common shares:		
Employees' compensation	<u>892</u>	<u>558</u>
Weighted average number of common shares in the computation of pro forma diluted earnings per shares	<u>270,285</u>	<u>269,951</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$7.01</u>	<u>\$4.12</u>
Diluted earnings per share	<u>\$6.99</u>	<u>\$4.11</u>

## 23. BUSINESS COMBINATIONS

### a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Top Information and its subsidiary	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.	November 13, 2018	98.59%	<u>\$ 150,000</u>

Top Information and its subsidiary were acquired in order to continue the expansion of the Group's operations.

### b. Consideration transferred

	Top Information and Its Subsidiary
Cash	<u>\$ 150,000</u>

### c. Assets acquired and liabilities assumed at the date of acquisition

	Top Information and Its Subsidiary
Current assets	
Cash and cash equivalents	\$ 85,303
Accounts receivable and other receivables	180,723
Inventories	161,597
Other current assets	12,465
Non-current assets	
Equipment	1,119
Other intangible assets	18,577
Deferred tax assets	2,916
Other non-current assets	23,054
Current liabilities	
Short-term loans	(37,650)
Accounts Payable and other payables	(216,119)
Other current liabilities	(74,287)
Non-current liabilities	
Deferred tax liabilities	(35)
Net defined benefit liabilities - non-current	(23,641)
Other non-current liabilities	<u>(9,226)</u>
	<u>\$ 124,796</u>

d. Goodwill recognized on acquisitions

	<b>Top Information and Its Subsidiary</b>
Consideration transferred	\$ 150,000
Plus: Non-controlling interests (1.41% in Top Information)	1,499
Less: Fair value of identifiable net assets acquired	<u>(124,796)</u>
Goodwill recognized on acquisitions	<u>\$ 26,703</u>

The goodwill recognized in the acquisitions of Top Information and its subsidiaries mainly represents the control premium included in the cost of the combinations. In addition, the consideration paid for the combinations effectively included amounts attributed to the benefits of expected synergies, revenue growth and future market development. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

e. Net cash outflow on the acquisition of subsidiaries

	<b>Top Information and Its Subsidiary</b>
Consideration paid in cash	\$ 150,000
Less: Cash and cash equivalent acquired	<u>(85,303)</u>
	<u>\$ 64,697</u>

f. Impact of acquisitions on the results of the Group

The results of the acquirees since the acquisition date included in the consolidated statements of comprehensive income has no significant impact on the Group's operating.

Had these business combinations been in effect at the beginning of the annual reporting period, the Group's revenue would have been \$20,270,581 thousand, and the profit would have been \$1,056,459 thousand for the year ended December 31, 2018. This pro-forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on January 1, 2018, nor is it intended to be a projection of future results.

## 24. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In April 2019, the Group purchased shares of Top Information from the shareholders of non-controlling interests, increasing its interests from 98.59% to 98.98%.

The above transactions were accounted for as equity transactions, since the Group did not change the influence on these subsidiaries.

	<b>Top Information</b>
Cash consideration paid	\$ (592)
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>592</u>
Differences recognized from equity transaction	<u>\$ -</u>

## 25. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, legal reserve, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

## 26. FINANCIAL INSTRUMENTS

### a. Fair value of financial instruments that are not measured at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

### b. Fair value of financial instruments that are measured at fair value on a recurring basis

#### 1) Fair value hierarchy

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<u>December 31, 2019</u>				
Financial assets at FVTPL				
Listed shares	\$ 103,310	\$ -	\$ -	\$ 103,310
Unlisted common shares	-	-	1,381,630	1,381,630
Unlisted preferred shares	-	-	95,590	95,590
Corporate bonds	-	11,427	-	11,427
Mutual funds	3,227,288	-	-	3,227,288
Others	<u>-</u>	<u>-</u>	<u>21,741</u>	<u>21,741</u>
	<u>\$ 3,330,598</u>	<u>\$ 11,427</u>	<u>\$ 1,498,961</u>	<u>\$ 4,840,986</u>
Financial assets at FVTOCI				
Listed shares	\$ 1,373,557	\$ -	\$ -	\$ 1,373,557
Unlisted shares	<u>-</u>	<u>-</u>	<u>113,272</u>	<u>113,272</u>
	<u>\$ 1,373,557</u>	<u>\$ -</u>	<u>\$ 113,272</u>	<u>\$ 1,486,829</u>

(Continued)



	Level 1	Level 2	Level 3	Total
<u>December 31, 2018</u>				
Financial assets at FVTPL				
Listed shares	\$ 149,663	\$ -	\$ -	\$ 149,663
Unlisted common shares	-	-	1,618,670	1,618,670
Unlisted preferred shares	-	-	47,877	47,877
Corporate bonds	-	12,200	-	12,200
Mutual funds	2,917,622	-	-	2,917,622
Others	-	-	13,276	13,276
	<u>\$ 3,067,285</u>	<u>\$ 12,200</u>	<u>\$ 1,679,823</u>	<u>\$ 4,759,308</u>
Financial assets at FVTOCI				
Unlisted shares	\$ -	\$ -	\$ 97,695	\$ 97,695
Others	-	-	14,175	14,175
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,870</u>	<u>\$ 111,870</u>
				(Concluded)

There were no transfers between Levels 1 and 2 in 2019 and 2018.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2019

Financial Assets	<u>Financial Assets at FVTPL</u> Equity Instruments	<u>Financial Assets at FVTOCI</u> Equity Instruments	Total
Balance at January 1	\$ 1,679,823	\$ 111,870	\$ 1,791,693
Recognized in profit or loss	(263,285)	-	(263,285)
Recognized in other comprehensive income	-	(108,442)	(108,442)
Purchases	93,533	115,701	209,234
Disposals	(11,122)	(2,656)	(13,778)
Net exchange differences	12	(2,471)	(2,459)
Capital reduction	-	(730)	(730)
Balance at December 31	<u>\$ 1,498,961</u>	<u>\$ 113,272</u>	<u>\$ 1,612,233</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ (252,053)</u>		<u>\$ (252,053)</u>

For the year ended December 31, 2018

<b>Financial Assets</b>	<b>Financial Assets at FVTPL</b>	<b>Financial Assets at FVTOCI</b>	<b>Total</b>
	<b>Equity Instruments</b>	<b>Equity Instruments</b>	
Balance at January 1	\$ 1,586,696	\$ 71,586	\$ 1,658,282
Recognized in profit or loss	85,334	-	85,334
Recognized in other comprehensive income	-	860	860
Purchases	10,000	37,520	47,520
Disposals	(2,265)	-	(2,265)
Net exchange differences	58	2,912	2,970
Capital reduction	-	(1,008)	(1,008)
Balance at December 31	<u>\$ 1,679,823</u>	<u>\$ 111,870</u>	<u>\$ 1,791,693</u>
Unrealized gain/(loss) for the current year included in profit or loss relating to assets held at the end of the year	<u>\$ 84,321</u>		<u>\$ 84,321</u>

3) Valuation techniques and inputs applied for Level 3 fair value measurement

<b>Financial Instruments</b>	<b>Valuation Techniques and Inputs</b>
Taiwan Futures Exchange	The market approach is used to arrive at their fair values for which the recent financial activities of investees, the market transaction prices of the similar companies and market conditions are considered. Significant unobservable inputs are discounted considering marketability.
Unlisted stock and others	The assets approach is used to the individual assets and individual liabilities to reflect the overall value of the investment target. Significant unobservable inputs are discounted considering marketability.

c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
FVTPL		
Mandatorily classified as at FVTPL	\$ 4,840,986	\$ 4,759,308
Financial assets at amortized cost (1)	8,001,958	7,889,489
Financial assets at FVTOCI	1,486,829	111,870
<u>Financial liabilities</u>		
Amortized cost (2)	5,741,239	5,110,929

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets), lease receivables (included in other non-current assets) and debt investment (included in financial assets at amortized cost - non-current).
- 2) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables and guarantee deposits received (included in other non-current liabilities).

d. Financial risk management objectives and policies

The Group's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Group designated a department to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates a decrease/increase in pre-tax loss associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	<b><u>For the Year Ended December 31</u></b>	
	<b>2019</b>	<b>2018</b>
<u>USD</u>		
Increase/decrease	\$ 8,835	\$ 64,083
<u>RMB</u>		
Increase/decrease	23,187	6,055

b) Interest rate risk

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 1,229,457	\$ 1,750,765
Financial liabilities	527,301	815,925
Cash flow interest rate risk		
Financial assets	2,426,030	1,833,991

The Group acquires better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Increase/decrease	\$ 2,426	\$ 1,834

c) Other price risk

The Group was exposed to price risk through its investments in listed shares, corporate bonds and mutual funds. The Group established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Group's pre-tax net income and other comprehensive income would have been as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Pre-tax net income		
Increase/decrease	\$ 242,049	\$ 237,965
Other comprehensive income		
Increase/decrease	74,341	5,594

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Generally, the maximum exposures to credit risk for financial assets at the balance sheet date are their carrying amounts.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

### 3) Liquidity risk

The Group puts in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term investments under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Group's investments in mutual funds and listed shares are traded in active markets and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks, subordinate debenture bonds and convertible bonds with significant liquidity risks because these assets do not have quoted market prices in an active market.

## 27. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

### a. Related parties and their relationship with the Group

<u>Related Parties</u>	<u>Relationship with the Group</u>
Systemweb Technologies Co., Ltd.	Associate
Sanfran Technologies Inc.	Associate
Investment Media Ltd.	Associate
Mohist Web Technology Co., Ltd.	Associate
FinRobo Advisor Securities Investment Consulting Co., Ltd.	Associate
Shengsen Corp.	Associate
Frog-jump Information Co., Ltd.	Associate
Dawning Technology Inc.	Associate
Neweb Information Co., Ltd.	Associate
Retail System Co., Ltd.	Associate
Gensys Technology International. Ltd.	Associate
Forms Syntron Information (Shenzhen) Limited	Associate (Note)
Fuco Technology Co., Ltd.	Associate
AIWin Technology Co., Ltd.	Associate
Genesis Technology Inc.	Associate

Note: Forms Syntron Information (Shenzhen) Limited was no longer consolidated related party since December 2019.

### b. Operating revenue

<u>Line Items</u>	<u>Related Party Categories</u>	<u>For the Year Ended December 31</u>	
		<u>2019</u>	<u>2018</u>
Sales	Associates	<u>\$ 10,184</u>	<u>\$ 2,808</u>
Service revenue	Associates	<u>\$ 4,201</u>	<u>\$ 5,626</u>
Other operating revenue	Associates	<u>\$ 12</u>	<u>\$ 22</u>

c. Purchases of goods

<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associates	<u>\$ 188,719</u>	<u>\$ 82,826</u>

d. Receivables from related parties

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Notes and accounts receivable	Associates	<u>\$ 10,787</u>	<u>\$ 4,261</u>

e. Payables to related parties

<b>Line Items</b>	<b>Related Party Categories</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Accounts payable	Associates	<u>\$ 84,741</u>	<u>\$ 47,296</u>

The product/service sales and purchase transactions with related parties were conducted underpricing terms similar to those with third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

f. Other transactions with related parties

<b>Line Items</b>	<b>Related Party Categories</b>	<b>For the Year Ended December 31</b>	
		<b>2019</b>	<b>2018</b>
Service cost	Associates	<u>\$ 20,571</u>	<u>\$ 19,440</u>
Operating expenses	Associates	<u>\$ 1,553</u>	<u>\$ 1,764</u>
Rent revenue	Associates	<u>\$ 222</u>	<u>\$ -</u>

g. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 176,468	\$ 149,948
Post-employment benefits	<u>3,798</u>	<u>3,601</u>
	<u>\$ 180,266</u>	<u>\$ 153,549</u>

The remuneration of directors and key executives, as determined by the remuneration committee, was based on the performance of individuals and market trends.

## 28. PLEDGED ASSETS

The following assets were pledged as the Group's collateral for bank loans, contract guarantees and import duty guarantee:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment - buildings, net	\$ 204,243	\$ 212,693
Pledged time deposits - current (included in other receivables)	328,517	215,450
Pledged time deposits - non-current (included in other non-current assets)	52,149	54,487
The shares of the Corporation (Note)	<u>755,000</u>	<u>615,000</u>
	<u>\$ 1,339,909</u>	<u>\$ 1,097,630</u>

Note: Hanmore pledged 10,000 thousand shares of the Corporation as of December 31, 2019 and 2018, and it was eliminated on consolidation.

## 29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2019 and 2018 were as follows:

- a. Unused letters of credit of the Corporation in aggregate amount were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<u>\$ 726</u>	<u>\$ 747</u>

- b. Outstanding sales contracts of the Group in the amount were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
	<u>\$ 8,675,495</u>	<u>\$ 8,705,938</u>

- c. The Group provided endorsements for others in Table 2.
- d. The Group issues gift certificates and gift cards. For the handling of advance receipts from customers for sold gift certificates and gift cards, the Group entered into a trust agreement with E.SUN Commercial Bank according to the "Provision to be Included in Standard Form Contract of All Sorts of Gift Certificates of Retail Companies" issued by the Ministry of Economic Affairs. According to the trust agreement, the Group opened a trust account in E.SUN Commercial Bank. Advance receipts from customers for sold gift certificates are deposited in the trust account and amounts for services already provided to customers are paid to the Group on a monthly basis. The balance in the trust account should be not lower than the amount of outstanding gift certificates and gift cards. As of December 31, 2019, the Group's assets in the trust account amounted to \$15,764 thousand (included in other receivables and other non-current assets).

### 30. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 127,428	4.30	\$ 547,623
USD	15,534	29.98	465,721
Non-monetary items			
Investment accounted for using equity method			
USD	1,497	29.98	44,865
<u>Financial liabilities</u>			
Monetary item			
USD	9,641	29.98	289,029
RMB	19,521	4.30	83,891

December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
RMB	\$ 27,135	4.48	\$ 121,439
USD	36,886	30.72	1,132,962
Non-monetary items			
Financial assets at fair value through profit or loss			
HKD	4,703	3.92	18,439
Investment accounted for using equity method			
RMB	130,820	4.48	585,461
USD	1,570	30.72	48,232
<u>Financial liabilities</u>			
Monetary item			
USD	9,808	30.72	301,239
RMB	77	4.48	343

For the years ended December 31, 2019 and 2018, realized and unrealized net foreign exchange gains (losses) were \$2,750 thousand and \$(10,379) thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.



### 31. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

Financial business integration provides financial technologies and develops smart finance, centered on FinTech, to assist financial customers (mainly engaged in large-scale financial customers) in digital transformation, including transformation services in mobile applications, integration services for investor and wealth management upgrade services.

Customer market integration focus on new retail, provides full-channel and full payment services, and assists customers, especially digital e-commerce customer, in operating O2O business to realize digital transformation.

Data Technology integration provides comprehensive Data Technology product portfolio and solution to drive business intelligence growth of customers, acts as the Data Enabler for customers and actively introduces domestic and foreign leading digital technology to provide solution to customer in digital transformation.

China Group, in the way of alliance with local suppliers, expands self-employed business, develops independent products, provides system integration and value-added services, and provides commercial software and cloud platform tools in China.

Investment department engages in investment activities.

The chief operating decision-maker of the Group divided the domestic information service business into three operating segments according to industry level and customer's service requirements and has taken China Group as a reportable segment due to regional specialties. In addition, the financial investment business is considered as an investment department that should be reported separately. Financial business integration included domestic departments which provide a cross-border financial transaction cloud, APP and customized development, community services for investors, and ITDM services of securities or futures trading in Greater China. Customer market integration included domestic departments which provide mobile payments, O2O integration services, data processing services, precision marketing solution, government official website, service platform, and e-commerce platform. Data Technology integration included domestic departments which provide big data platform and value-added innovation, commercial software, cloud value-added services, Cyber-security, IT development training courses, and book publishing.

#### a. Consolidated revenues and results

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
<u>2019</u>							
Sales to customers	\$ 3,133,332	\$ 3,284,680	\$ 10,129,970	\$ 5,503,041	\$ -	\$ -	\$ 22,051,023
Sales to other segments	<u>272,046</u>	<u>163,297</u>	<u>903,813</u>	<u>616,303</u>	<u>-</u>	<u>(1,955,459)</u>	<u>-</u>
Total sales	<u>\$ 3,405,378</u>	<u>\$ 3,447,977</u>	<u>\$ 11,033,783</u>	<u>\$ 6,119,344</u>	<u>\$ -</u>	<u>\$ (1,955,459)</u>	<u>\$ 22,051,023</u>
Segment income	<u>\$ 358,865</u>	<u>\$ 342,307</u>	<u>\$ 425,424</u>	<u>\$ 74,133</u>	<u>\$ 1,444,968</u>	<u>\$ -</u>	\$ 2,645,697
Corporate general expenses							<u>(442,190)</u>
Income before income tax							<u>\$ 2,203,507</u>
Segment depreciation and amortization expenses	<u>\$ 54,578</u>	<u>\$ 32,999</u>	<u>\$ 25,208</u>	<u>\$ 40,247</u>	<u>\$ -</u>		\$ 153,032
Non-segment depreciation and amortization expenses							<u>135,859</u>
Total depreciation and amortization expenses							<u>\$ 288,891</u>

(Continued)

	Financial Business Integration	Consumer Market Integration	Data Technology Integration	China Group	Investment Department	Adjustment and Elimination	Total
Segment assets	\$ 2,981,578	\$ 2,268,573	\$ 4,342,988	\$ 3,281,554	\$ 7,639,107		\$ 20,513,800
General assets							1,072,754
Total assets							\$ 21,586,554
<u>2018</u>							
Sales to customers	\$ 2,584,391	\$ 3,067,951	\$ 9,160,643	\$ 4,703,004	\$ -	\$ -	\$ 19,515,989
Sales to other segments	294,520	175,637	983,889	569,657	-	(2,023,703)	-
Total sales	\$ 2,878,911	\$ 3,243,588	\$ 10,144,532	\$ 5,272,661	\$ -	\$ (2,023,703)	\$ 19,515,989
Segment income	\$ 349,508	\$ 351,394	\$ 403,401	\$ 52,429	\$ 462,921	\$ -	\$ 1,619,653
Corporate general expenses							(378,426)
Income before income tax							\$ 1,241,227
Segment depreciation and amortization expenses	\$ 31,685	\$ 27,659	\$ 26,057	\$ 22,276	\$ -		\$ 107,677
Non-segment depreciation and amortization expenses							29,102
Total depreciation and amortization expenses							\$ 136,779
Segment assets	\$ 2,648,943	\$ 2,184,709	\$ 4,202,137	\$ 2,834,162	\$ 7,265,414		\$ 19,135,365
General assets							844,098
Total assets							\$ 19,979,463

(Concluded)

Segment (loss) income refers to the profits and losses incurred by each segment, excluding headquarter management cost, remuneration of directors, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, foreign exchange gain, interest expense and income tax expense.

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

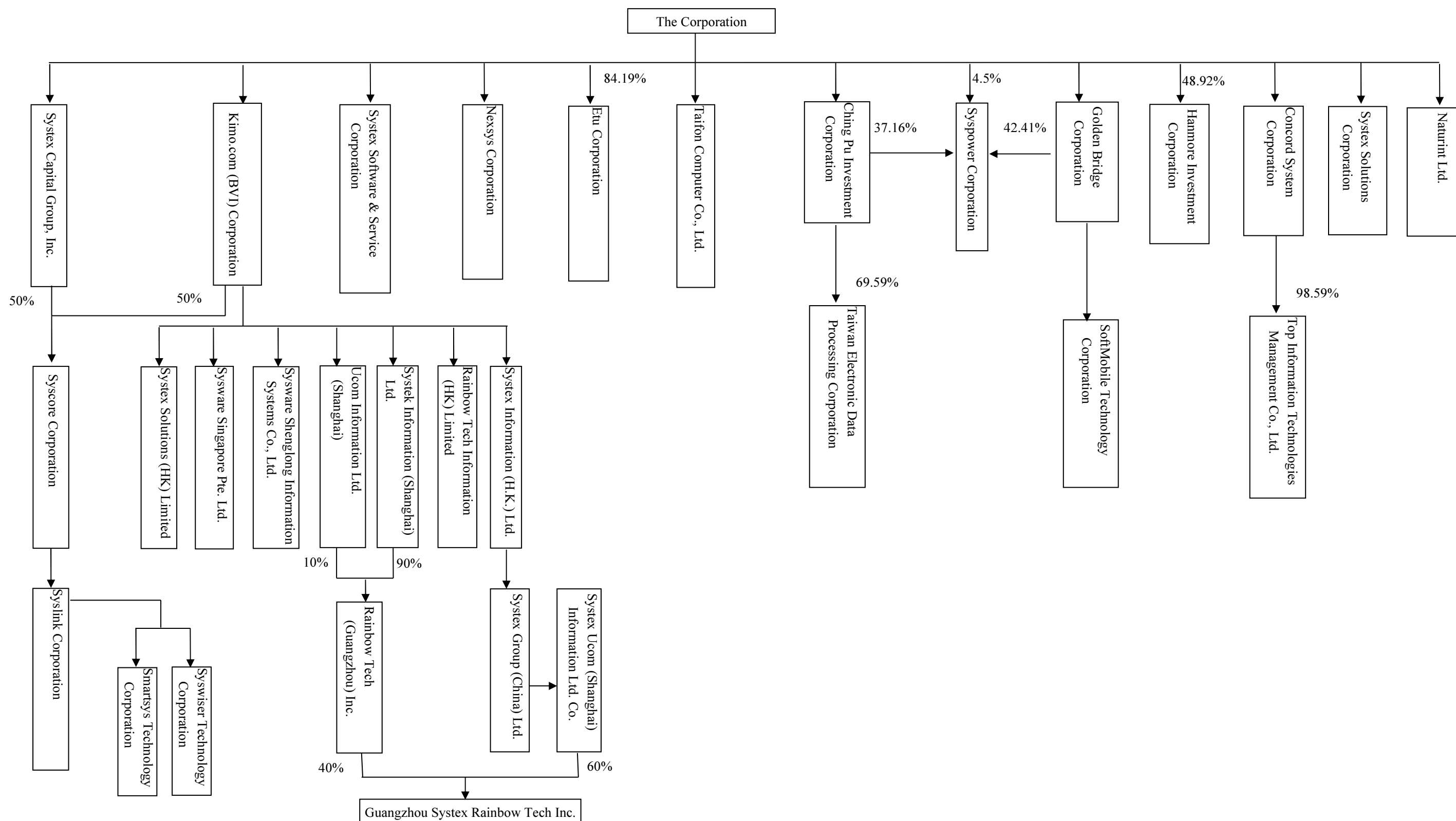
	Revenue from External Customers	
	2019	2018
Domestic	\$ 16,628,906	\$ 14,908,217
Asia	5,422,117	4,607,772
	\$ 22,051,023	\$ 19,515,989
	Non-current Assets December 31	
	2019	2018
Domestic	\$ 5,170,037	\$ 4,802,747
Asia	1,617,167	954,781
Others	216,382	159,769
	\$ 7,003,586	\$ 5,917,297

c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2019 and 2018.

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP  
DECEMBER 31, 2019



Note: Percentage of ownership is 100% unless noted on the chart.

**SYSTEX CORPORATION AND SUBSIDIARIES**

**ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2019  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

No.	Endorser/Guarantor	Endorsee/Guarantee		Limit on Endorsement/ Guarantee Given on Behalf of Each Party	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collateral	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit	Endorsement/ Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement/ Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement/ Guarantee Given on Behalf of Companies in Mainland China	Note
		Name	Relationship											
0	Systex Corporation	Systex Information (H.K.) Limited	Direct/indirect subsidiary	\$ 3,348,161	\$ 189,600	\$ 179,880	\$ 50,387	\$ -	1.34	\$ 6,696,322	Y	N	N	(Notes a and b)
		Rainbow Tech. Information (H.K.) Limited	Direct/indirect subsidiary	3,348,161	141,255	134,910	4,407	-	1.01	6,696,322	Y	N	N	(Notes a and b)
		Systex Group (China) Limited	Direct/indirect subsidiary	3,348,161	1,953,729	1,715,925	636,838	-	12.81	6,696,322	Y	N	Y	(Notes a and b)
		Systek Information (Shanghai) Ltd.	Direct/indirect subsidiary	3,348,161	15,800	14,990	-	-	0.11	6,696,322	Y	N	Y	(Notes a and b)
		Rainbow Tech. (Guangzhou) Ltd.	Direct/indirect subsidiary	3,348,161	47,400	44,970	-	-	0.34	6,696,322	Y	N	Y	(Notes a and b)
		Systex Ucom (Shanghai) Information Ltd. Co.	Direct/indirect subsidiary	3,348,161	138,072	128,925	52,831	-	0.96	6,696,322	Y	N	Y	(Notes a and b)
		Systex Software & Service Corporation	Direct/indirect subsidiary	3,348,161	1,000,000	1,000,000	610,870	-	7.47	6,696,322	Y	N	N	(Notes a and b)
		Systex Solutions Corporation II	Direct/indirect subsidiary	3,348,161	300,000	-	-	-	-	6,696,322	Y	N	N	(Notes a and b)
1	Ucom Information Ltd. (Shanghai)	Systex Group (China) Limited	Affiliate	278,677	115,060	107,438	-	98,843	77.11	278,677	N	N	Y	(Notes c and d)
2	Systek Information (Shanghai) Ltd.	Systex Group (China) Limited	Affiliate	534,465	115,060	107,438	92,246	98,843	40.20	534,465	N	N	Y	(Notes c and d)

Note a: Limits on endorsements/guarantees amount shall not exceed 25% of the net worth of the provider.

Note b: The maximum balance for the period shall not exceed 50% of the net worth of the provider.

Note c: Limits on endorsements/guarantees amount shall not exceed 200% of the net worth in previous year end of the provider.

Note d: The maximum balance for the period shall not exceed 200% of the net worth in previous year end of the provider.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2019	2018	Difference	
			Amount	%
Current assets	14,582,968	14,062,166	520,802	3.70
Long-term investments	826,251	1,240,816	(414,565)	(33.41)
Fixed assets	1,929,649	1,913,330	16,319	0.85
Intangible assets	86,279	116,074	(29,795)	(25.67)
Other assets	4,161,407	2,647,077	1,514,330	57.21
Total assets	21,586,554	19,979,463	1,607,091	8.04
Current liabilities	7,472,992	6,492,370	980,622	15.10
Other liabilities	631,429	292,142	339,287	116.14
Total liabilities	8,104,421	6,784,512	1,319,909	19.45
Share capital	2,693,933	2,693,933	-	-
Capital surplus	6,407,221	6,729,035	(321,814)	(4.78)
Retained earnings	5,799,398	5,090,264	709,134	13.93
Other equity and Treasury shares	(1,507,909)	(1,387,471)	(120,438)	(8.68)
Total equity attributable to owners of the Corporation	13,392,643	13,125,761	266,882	2.03
Non-controlling interests	89,490	69,190	20,300	29.34
Total equity	13,482,133	13,194,951	287,182	2.18

#### Analysis of changes in financial ratios:

1. Decrease in Long-term investments by NT\$414,565 thousands mainly due to increase in Investments accounted for using equity method by NT\$380,393 thousands, impairment loss by NT\$370,887 thousands and decrease in Investments accounted for using equity method by NT\$414,566 thousands which transferred to Financial assets at fair value through other comprehensive income.
2. Decrease in Intangible assets by NT\$29,795 thousands mainly due to increase in Computer software by NT\$13,512 thousands, decrease in Goodwill by NT\$26,703 thousands and decrease in Other intangible assets by NT\$16,604 thousands.
3. Increase in Other assets by NT\$1,514,330 thousands mainly due to increase in Financial assets at fair value through other comprehensive income - non-current by NT\$1,374,959 thousands, increase in Right-of-use assets for IFRS 16 by NT\$320,023 thousands.
4. Increase in Other liabilities by NT\$339,287 thousands mainly due to increase in Deferred tax liabilities by NT\$133,500 thousands and increase in Lease liabilities - non-current by NT\$197,816 thousands.
5. Increase in Non-controlling interests by NT\$20,300 thousands mainly due to increase in profit from subsidiaries that non-100% own and capital decrease by cash in subsidiaries that non-100% own.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2019		2018		Difference	
	Subtotal	Total	Subtotal	Total	Amount	%
Gross sales	22,124,938		19,556,369		2,568,569	13.13
Less: sales returns & allowances	73,915		40,380		33,535	83.05
Net sales		22,051,023		19,515,989	2,535,034	12.99
Cost of sales		16,501,731		14,481,778	2,019,953	13.95
Gross profit		5,549,292		5,034,211	515,081	10.23
Operating expenses		4,942,275		4,346,489	595,786	13.71
Operating income		607,107		687,722	(80,705)	(11.74)
Total non-operating income and expenses		1,596,490		553,505	1,042,985	188.43
Income before tax		2,203,507		1,241,227	962,280	77.53
Tax expense		392,204		191,055	201,149	105.28
Other comprehensive income (loss) for the year, net of income tax		(247,574)		37,855	(285,429)	(754.01)
Total comprehensive income for the year		1,563,729		1,088,027	475,702	43.72

#### 1. Analysis of changes in financial ratios:

- (1) Increase in Non-operating income and expenses by NT\$1,042,985 thousands mainly due to increase in Gain on sale of investments by NT\$1,119,049 thousands, increase in Gain on financial assets at fair value through profit or loss, net by NT\$303,734 thousands and increase in Impairment loss on assets by NT\$370,887 thousands.
- (2) Increase Tax expense by NT\$201,149 thousands mainly due to increase in additional tax of unappropriated earnings and Deferred tax.
- (3) Decrease in Other comprehensive income (loss) for the year, net of income tax by NT\$285,429 thousands mainly due to decrease in Exchange differences on translating foreign operations by NT\$175,079 thousands, decrease in Unrealized (loss) gain on equity instruments at fair value through other comprehensive income by NT\$177,981 thousands and increase in Share of the other comprehensive gain (loss) of associates accounted for using the equity method by NT\$83,134 thousands.

#### 2. Mainly reason of expected sales growing up in 2020:

The global market is fickle. Companies must keep making crossover connections and boldly embrace innovation to adapt to potential drastic changes. To help our clients respond flexibly, SYSTEX will position itself through ecosystem integration (Xi) in 2020, playing the role of 'orchestrator' as it understands the new technological structures and applications needed in the new economic era and makes crossover connections with ecosystem partners to help companies create a second wave of exponential growth.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### 7.3 Analysis of Cash Flow

#### 7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item	Year		
	2019	2018	Variance (%)
Cash Flow Ratio (%)	18.67	8.56	118.00
Cash Flow Adequacy Ratio (%)	57.33	51.06	12.28
Cash Reinvestment Ratio (%)	1.09	(4.85)	122.51

Analysis of changes in financial ratios:

- Increase in Cash Flow Ratio by 118% mainly due to increase in net cash generated from operating activities.
- Increase in Cash Reinvestment Ratio by 122.51% mainly due to increase in net cash generated from operating activities by 151% and increase in Long-term Investment by 22%.

#### 7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash Beginning Balance ①	Estimated Net Cash Flow from Operating Activities ②	Estimated Cash Outflow ③	Estimated Cash Ending Balance (Shortage) ① + ② - ③	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
2,775,343	492,089	819,661	2,447,771	-	-

1. Analysis of change in cash flow in the current year:

Item	Cash Inflow (Outflow)		Variance		Remarks
	2019	2018	Amount	%	
Operating activities	\$1,395,034	\$ 555,955	\$ 839,079	150.93	(1)
Investing activities	95,626	446,877	(351,251)	(78.60)	(2)
Financing activities	(1,501,943)	(1,913,489)	411,546	21.51	(3)

- The Increase of NT\$839,079 thousands in 2019 was mainly due to the increase of NT\$1,173,252 thousands in Gain on sale of investments, net.
- The Decrease of NT\$351,251 thousands in 2019 was mainly due to the decrease of NT\$357,120 thousands in Proceeds on sale of financial assets at amortized cost.
- The Increase of NT\$411,546 thousands in 2019 was mainly due to the decrease of NT\$420,889 thousands in Short-term loans.

2. Remedial action for cash deficit: N/A.

3. Cash liquidity analysis for the next year: The Company expects business activities in the next year to generate positive cash flow. The cash outflow in the next year shall be primarily for the distribution of cash dividends that can be supported by the Company's cash balance and cash flow.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

7.4 Major Capital Expenditure Items: There are no any Major Capital Expenditure in 2019.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment policy in the most recent year

The Company's investment policies follow established strategies to expedite expansion in business opportunities in Greater China and actively conduct optimization and integration of resources on both sides of the strait. The business strategies of outstanding regional development, transition to premium service sectors, and implementation of quality assurance activities have allowed SYSTEX to consolidate its leading position in the Taiwan market, actively expand operations in the Greater China market, deploy channels in the Asia Pacific, and bring SYSTEX closer to its corporate objectives.

7.5.2 The main reason for profit or loss and improvement plan for reinvestment enterprises

Unit: NT\$ thousands

Item	Remarks	Book Value (Note 1)	Net Income (Loss) 2019	Policies	Reasons for Gain or Loss	Action Plan
Ching Pu Investment Corp.		437,073	115,240	Shareholding in other companies and reinvestment business	Assessed net profit and income from dividends of financial assets	
Golden Bridge Information Corp.		261,357	17,480	Shareholding in other companies and reinvestment business	Net profit from investment income recognized by the equity method	
Syscore Corp. (Note 2)		2,132,488	102,544	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Syslink Corp.		253,005	(49,045)	Shareholding in other companies and reinvestment business	Recognized loss from investments	To strengthen the management of investment
Systex Capital Group, Inc.		2,230,030	180,547	Shareholding in other companies and reinvestment business	Net profit from investment income from dividends of financial assets and recognized by the equity method	
Kimo.com (BVI) Corp.		4,145,465	1,210,369	Shareholding in other companies and reinvestment business	Recognized profits from investments	
Systex Solutions (HK) Ltd.		1,683,813	1,418,846	Shareholding in other companies and reinvestment business	Recognized profits from investments	
Concord System Management Corp.		339,761	29,547	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	



## VII. Review of Financial Conditions, Operating Results, and Risk Management

Item	Remarks	Book Value (Note 1)	Net Income (Loss) 2019	Policies	Reasons for Gain or Loss	Action Plan
Top Information Technologies Co., Ltd.		178,958	42,334	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Nexsys Corp.		345,412	61,167	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Software & Service Corp.		901,106	273,002	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Taifon Computer Co., Ltd.		251,745	12,823	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Solutions Corp.		331,060	63,069	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Syspower Corp. (Note 2)		348,353	43,340	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
System Information (H.K.) Ltd.		528,069	(322,185)	Developed overseas markets and distribution channels in Greater China	Recognized loss from investments	To strengthen the management of investment
System Information (Shanghai) Ltd.		268,945	12,862	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	
Ucom Information Ltd. (Shanghai)		144,010	10,647	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	
System Rainbow Tech Inc.		234,163	15,571	Developed overseas markets and distribution channels in Greater China	After the business integration and adjustment, the operating conditions improved	

Note 1: Refers to subsidiary companies with a carrying amount exceeding 5% of paid-in capital as of December 31, 2019.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

Note 2: Held directly and indirectly by the Company.

7.5.3 Investment Plans for the Coming Year: None.

### 7.6 Analysis of Risk Management

The Company has established functional committees that report to the Board of Directors in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" promulgated by the competent authority to enhance the supervision and management functions of the Board of Directors. Proposals are submitted to the Board for resolution to reduce risks in operating and financial decisions.

#### 7.6.1 Risk management policies and organization

The Company's internal management system covers various business activities within the scope of its operations. Responsibilities for the management of risks in various operations are assigned to related units in accordance with the nature of business. The Company has also established the "Crisis Management Regulations," "M&A Management Regulations," and "Regulations on the Supervision and Management of Subsidiaries" to facilitate effective risk control.

##### (1) Crisis Management

The Company established the "Crisis Management Regulations" to ensure that the Company can effectively manage and respond to crises as they unfold and reduce the damage and impact caused by crises. The Company also established a Crisis Management Team to oversee crisis management and adopt management methods and measures to minimize the impact caused by crises to the Company. The organization and responsibilities of the Crisis Management Team are as follows:

Team Member	Person in Charge	Job Description
Crisis Management Team for Legal & Compliance Affair	Supervisor of Legal Division	1. Responsible for legal & compliance crisis management and control. 2. Affair: breach of contract, litigation, administrative sanction, trade secret, and serious fraud, Labor dispute etc.
Crisis Management Team for Disaster Response Affair	Supervisor of Human Resources Division	1. Responsible for disaster crisis management and control. 2. Affair: natural disaster, loss of asset, infrastructure failure, personal safety, and infectious disease etc.
Crisis Management Team for Business Continuity Affair	Supervisor of Business Unit	1. Responsible for business crisis management and control. 2. Affair: market upheaval, material breach of contract, loss of operating key resource, and computer facilities interruption etc.
Crisis Management Team for Information Security & Personal Data Affair	Supervisor of Technology Development and Project management Division	1. Responsible for information security & personal data crisis management and control. 2. Affair: corporation information security, customer information security, test room failure, and breaches of personal data etc.
Crisis Management Team for Social Media Affair	Supervisor of Business Management Division and Spokesperson	1. Responsible for goodwill and corporate image crisis management and control. 2. Affair: negative reports from media, spread of negative comment on the internet etc.

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### (2) M&A Case Management

The Company has established the "M&A Management Regulations" to effectively control the risks and performance of follow-up investment in Company's M&A (Merge & Acquisition) cases. The Regulations are applicable to cases where the Company acquires the operating rights, ownership, or specific assets of investees through acquisitions, mergers, business assignments, joint investments, demergers, or other methods. The responsibilities of each unit are as follows:

Department	Responsibilities
All Business Units	Responsible for the investment project; formulate business development strategies and seek potential investment targets; evaluate the business side of the investee or newly-established company and establish a business plan of at least three years; assess project risks; assess the value and investment structure design of the investment target.
Business Management Division	Review business plans submitted by Business Units; assists Business Units in assessing the value and investment structure design of the investment target; establishes subsidiary company management regulations; assists in the incorporation of operating procedures of investee companies into states manageable by the parent company; establishes standard operating procedures for supporting M&A operations.
Information Management Department	Plans the basic IT structure of the investee company or newly-established company and assists in the connection of its IT system with the parent company's IT system; establishes standard operating procedures for M&A IT.
Legal Department	Ensures legal compliance of all operations in the Company's M&A projects; formulates related legal documents for M&A cases; assesses the reasonableness of the investment structure; executes legal due diligence (DD); establishes legal standard operating procedures for M&A.
Marketing & Corporate Affairs Department	Organizes press conferences or publicizes information after the completion of investment plans; establishes standard operating procedures for M&A corporate communications.
Human Resources Division	Assists in the design of talent retention plans; establishes standard operating procedures for M&A personnel and general affairs.
CFO Office	Reviews assessment of the reasonableness of the investment structure; executes financial due diligence (DD); establishes financial standard operating procedures for M&A.

### (3) Subsidiary Supervision and Management

The "Regulations on the Supervision and Management of Subsidiaries" are established to implement business management, disclosure of financial and business information at appropriate times, internal control system, and auditing management of subsidiaries in order to ensure their business performance.

The responsibilities of each unit are as follows:

Department	Responsibilities
Business Management Division	Establishment and revision of parent-subsidiary companies' operations and management guidelines; assists the supplement (revision) and review of related regulations of the operations and management of subsidiaries; provides supervision, support, and assistance for the operations of subsidiaries; conducts regular performance analyses and follow-up management on subsidiaries; reviews business strategies and plans of subsidiaries; facilitates communication between the parent company and subsidiaries (and between subsidiaries).
Information Management Department	Establishment and revision of parent-subsidiary companies' IT system operating guidelines; assists in the supplement (revision) and review of related regulations of the IT systems of subsidiaries; provides supervision, support, and assistance for the IT systems of subsidiaries.

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Department	Responsibilities
Legal Department	Establishment and revision of parent-subsidary companies' legal affairs system operating guidelines; assists the supplement (revision) and review of related regulations of legal affairs of subsidiaries; provides supervision, support, and assistance for legal affairs of subsidiaries.
Human Resources Division	Establishment and revision of parent-subsidary companies' human resources and general affairs operating guidelines; assists the supplement (revision) and review of related human resources regulations of subsidiaries; provides supervision, support, and assistance for human resources and general affairs of subsidiaries.
CFO Office	Establishment and revision of parent-subsidary companies' finance and accounting operating guidelines; assists the supplement (revision) and review of related finance and accounting regulations of subsidiaries; provides supervision, support, and assistance for finance and accounting operations of subsidiaries.
Audit Division	Assists the establishment of internal control systems, internal control self-inspection operations, and various business operations regulations of subsidiaries; audits and reviews the internal control systems and internal control self-inspection operations of subsidiaries.

### 7.6.2 Risks, Assessment, and Response Strategies

A. Market Risks: The Company's forecast risks, pricing risks, production capacity risks, and inventory risks caused by changes in the industry.

Risk Assessment: The characteristics of the IT service industry includes rapid changes in technologies, continuous flow of new products, continuous functional improvements, decline in cost, short product lifecycle, changes in customer requirements, and manufacturer standard specifications. Due to high uncertainties, market risks will influence company operations.

Response Strategy: Implement an annual budget system and rolling forecast system to fully account for the impact of market changes on revenue; organize monthly business review meetings to account for market conditions; actively increase the added-value of products and OEM product lines to maintain reasonable costs and comprehensive services; adopt full digitalization in the company, enhance education and training, and increase the efficiency of information delivery between departments to increase personnel productivity; adopt the principle of making purchases after receiving purchase orders to prevent excess inventory and control the value of inventories.

B. Financial Risks: Additional risks imposed on the Company due to the use of financial leverages.

Risk Assessment: Changes in the Company's industry occur fast and pose high risks in operations. High financial leverage operations will put the Company in greater risk.

Response Strategy: The Company's source of funding consists mainly of equity funds; high financial leverage strategies are avoided. If financing is required, long-term funding obtained from the capital market shall be the primary means for financing to lower financial risks.

C. Fluidity Risks: Risks in which the Company cannot cash in on assets or obtain sufficient funding in time, leading to the inability to perform due responsibilities.

Risk Assessment: Due to high risks in the industry, the speed and capacity of cash flow will affect the Company's competitiveness and daily operations.

Response Strategy: The Company shall strengthen its cash flow forecast, strictly control inventory backlog, and payment/collection conditions and procedures to ensure the fluidity of the Company's operating cash. Conduct short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability. The Company shall also establish financing credit lines with banks to maintain fluidity of funds.

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D. Credit Risks: Risks in which customers and suppliers cannot perform payment or delivery.

Risk Assessment: Due to industry characteristics, the Company faces longer payment cycles from clients.

The unique transaction model of large projects also requires multiple suppliers of varying scales for which credit risks differ. The Company conducts various financial transactions with financial institutions in accordance with financial and business requirements. The credit risks of transaction partners shall also be taken into consideration.

Response Strategy: The Company shall establish a department dedicated to the management of accounts receivable and payable and establish authorization management regulations to enhance credit investigation procedures and strictly control the credit line of customers to safeguard the interests of the Company. The Company selects reputable financial institutions with high ratings to lower credit risks.

E. Legal Risks: Risks of serious impact or other negative impact on the Company's operations or finances due to illegal business activities of the Company or competitors' infringement of the Company's rights.

Risk Assessment: The Company conducts businesses honestly and does not take part in illegal activities.

The Company maintains ownership of multiple intellectual property rights and comprehensive legal protection from infringements that affect company interests.

Response Strategy: The Company established a dedicated Legal Affairs Department to take charge of processing potential legal risks faced by the Company. The Legal Affairs Department also reviews all important contracts before signing to safeguard company interests.

F. Strategy and Business Risks: Risks of immediate or potential impact on the Company's profits or capital due to unfavorable business decisions, inappropriate execution of related strategies, or a lack of response measures to changes in the industry.

Risk Assessment: The Company operates in the technology industry which undergoes constant changes, numerous competitors, and therefore relatively higher operating risks. The implementation of strategies will affect overall normal operations.

Response Strategy: The Company regularly organizes domestic and international senior management business meetings to fully communicate and review the Company's operating strategies and adopt appropriate response measures. The Company also established an Audit Committee to strengthen the functions of the Board of Directors and to help the Company establish major business strategies and supervise the performance of the management team.

### 7.6.3 Analysis of Risk Management

A. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures :

(a) Interest rate

Unit: NT\$ thousands;%

Year \ Item	2018			2019		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Interest income	40,237	0.21%	5.85%	43,114	0.20%	7.10%
Interest expense	30,513	0.16%	4.44%	33,500	0.15%	5.52%

The Company's operating funds are readily available and the Company conducts short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability.

The Company maintains close relations with banks in long-term collaboration and uses the banks'

## VII. Review of Financial Conditions, Operating Results, and Risk Management

assistance to obtain favorable interest rates and conditions. The Company's income on interest remains higher than interest expenses and therefore changes in interest rates have limited effects on the Company's profitability. The Company shall continue to monitor trends in interest rate changes and maintain a high degree of profitability while taking into account the requirements for security and fluidity in order to reduce the impact of changes in interest rates.

### (b) Foreign exchange rates

Unit: NT\$ thousands; %

Year \ Item	2018			2019		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Foreign exchange gain (loss), net	(10,379)	(0.05%)	(1.51%)	2,750	0.01%	0.45%

The Company's corporate financing personnel used transactions with financial institutions and the Internet to collect information on changes in exchange rates, adjusted the Company's foreign exchange positions, and estimated the cash flow in foreign currency expenditure for the purpose of controlling risks as early as possible. In principle, the Company uses income in foreign currencies to pay for foreign currency expenditures to achieve natural hedging effects and therefore changes in interest rates have limited impact on the Company's profits and losses.

### (c) Inflation

The Company maintains close and good relations with suppliers and customers and pays attention to fluctuations in market prices in order to make timely adjustments in response to market fluctuations in purchase and sales prices as well as to lower the impact of changes in inflation.

The Company's main suppliers are IT firms and the Company pays attention to the changes in prices of products from original manufacturers at all times to prevent major impact of changes in cost on the Company's profits and losses.

## VII. Review of Financial Conditions, Operating Results, and Risk Management

### B. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company does not conduct high-risk and high-leverage investments. The Company provides loans to others, endorsement or guarantee, and trade in derivatives in accordance with the Company's policies and response measured established in the Company's "Procedures for the Acquisition or Disposal of Assets," "Operating Procedures for Fund Lending," and "Procedures for Making Endorsements and Guarantees."

No breaches of contract that caused profits or losses have occurred in Company's endorsements, guarantees, and loans to subsidiary companies for their financing requirements.

### C. Future Research & Development Projects and Corresponding Budget

Research Projects	Completion (%)	Expected Research Expenditure (NT\$ ten thousand)	Expected Completion Schedule	Major Risk Factors
Financial Web advanced edition	Planning	100	June, 2020	Human Resources and Core Technology
Financial Pricing production stock picking function	Planning	100	June, 2020	Human Resources and Core Technology
Financial Pricing production value-add advanced edition	Planning	120	September, 2020	Human Resources and Core Technology
Open API Gateway	Format Planning	100	September, 2020	Human Resources and Core Technology
IAM (Identity and Access Management)	Format Planning	100	December, 2020	Human Resources and Core Technology

### D. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

In response to the rapid development and advancement of mobile communication, social media, big data, and cloud technologies, the FSC published the "FinTech Development Strategy White Paper" in 2016 to encourage financial institutions to provide new and innovative industrial financing and financial services. SYSTEX has launched smart wealth management service tools in 2017 to target business development opportunities in related technology services for smart banks, smart wealth management, mobile insurance, and mobile payment.

Mailing of paper notices has decreased due to changes in regulations on shareholder services. In addition to providing services through the electronic statement system platform, SYSTEX also develops its own interactive products and provides differentiated added-value services. We integrated existing interactive electronic statements and mSense electronic statements to lower the impact of electronic statements on revenue.

In response to business opportunities in the adjustments of government organizations, the Company focuses on: Demand in software/hardware equipment replacement, integrated account single login services, equipment transfer services, computer room performance adjustment/shared structure services, maintenance contracts, and increased value. At the same time, the Company needs to gain core technologies in land administration to facilitate the growth of land administration ITO and create differentiation in services.

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### E. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

- (a) With the rapid development of financial transaction tools and the diversification and internationalization of financial products, SYSTEX will effectively assist customers in the development of competitive products. The Company will also focus on the latest development in global economic trends, consider market demand, integrate multiple financial product information, provide comprehensive transnational and inter-market one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and various domestic and foreign markets and demonstrate the value of integration.
- (b) In response to trending issues such as energy conservation and carbon emissions reduction induced by global warming and to lower corporate operating costs, the Company provides installation services for central (headquarters) energy-saving monitoring and management platforms and energy-saving equipment (including air-conditioning and lighting) for service industry operators with multiple outlets. The Company targets large-scale directly managed chain retailers with high electricity consumption and long hours of operations and provides a management and monitoring platform for headquarters to monitor and manage multiple outlets. SYSTEX also uses its service networks and resources across the nation to provide chain service industries with energy saving management services.
- (c) As for confidential data services, SYSTEX conducts risk assessments and relevant reviews every six months. For example, securities information services at computer facilities and bill printing services have been certified by ISO 27001. In 2019, risk assessments conducted in the previous years were adopted, and no high-risk items were found. Medium- and low-risk items were handled by relevant units in accordance with the determined control measures and adjustments and included in the follow-up tracking and reports.

### F. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

The Company has always upheld the operation principles of professionalism and integrity as well as its emphasis on corporate image and risk management. Therefore the corporate image has been well-maintained and there has been no major incident detrimental to corporate image.

### G. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans:

In January 2020, acquired nearly 60% interests of E-service Information Corp. The main business of E-service Information Corp. has rich experience in digital service of national-level collections of cultural relics, focusing on providing professional digital services, cultural relics survey, cultural construction services and digital content services. It is expected that the comprehensive effects of the investment in the company in addition to continuing to deepen the data application will will also expand the scope of services and enter government units and cultural industries.

After the investment, the existing service team and operation mode will be maintained. The Company also forms a work team to keep abreast of the progress of the work and the risks and benefits before and after the investment.

### H. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : None.

### I. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

The Company maintains good relations with multiple domestic and international suppliers to ensure the diversity of products and security of sources. The Company's sales customers are distributed across the government, finance industry, telecommunications, distribution, and education. Customers are numerous and dispersed and the Company uses the dispersion strategy to reduce the risk of concentrated purchases or sales.



## VII. Review of Financial Conditions, Operating Results, and Risk Management

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J. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%:

With the exception of share transfers conducted for personal investment, financing, and taxation plans made by the Company's Directors or major shareholders holding over 10% of the Company's shares in the most recent year and as of the printing date of the prospectus, stable shareholding ratios were mostly maintained and have no major negative effect on the Company's operations.

K. Effects of, Risks Relating to and Response to the Changes in Management Rights: None.

L. Litigation or Non-litigation Matters: None.

7.7 Other Major Risks: None.

## VIII. Special Disclosure

### 8.1 Summary of Affiliated Companies

#### 8.1.1 SYSTEX's Subsidiaries

Unit: NT(USD,RMB,HKD,SGD)\$ thousands As of December 31, 2019

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Taifon Computer Co., Ltd.	1992.10.14	Taipei, Taiwan	200,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
System Solutions Corp.	2014.04.29	Taipei, Taiwan	260,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
Concord System Management Corp.	1982.10.19	Taipei, Taiwan	231,134	Design of computer system software and software application programs, assessment and planning of computer systems etc.
System Software & Service Corp.	2011.08.25	Taipei, Taiwan	544,500	IT software and data processing services, retail and services for IT software.
SoftMobile Technology Corp.	2011.08.02	Taipei, Taiwan	36,619	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.
Nexsys Corp.	2000.05.16	Taipei, Taiwan	199,950	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.

## VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Naturint Ltd.	2016.07.19	Taipei, Taiwan	20,000	Installation and sales of computer software and related equipment, IT software, data processing, and other consulting services, network certification, software publication etc.
Smartsys Technology Corp.	2018.04.18	Taipei, Taiwan	2,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Syswiser Technology Corp.	2018.04.18	Taipei, Taiwan	2,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Top Information Technologies Co., Ltd.	1980.11.18	Taipei, Taiwan	180,000	Sale of computer peripheral equipment and office machines, design of computer system and professional repairs services.
ETU Corp.	2015.02.26	Taipei, Taiwan	115,000	IT software and data processing services, retail and services for IT software.
Syspower Corp.	1988.09.05	Taipei, Taiwan	200,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Taiwan Electronic Data Processing Corp.	1969.05.22	Taipei, Taiwan	38,780	Design, assessment, and planning of computer system software and software application programs, sales and lease of data processing systems, computer peripheral hardware equipment and their components.
System Information (Shanghai) Ltd.	2000.11.27	Shanghai, China	USD16,300 (Note 1)	Data processing services, IT supply services, IT software services, international trade.

## VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Ucom Information Ltd. (Shanghai) (Note 2)	2003.03.26	Shanghai, China	USD14,800	IT software services, IT software wholesale, IT software retail.
Sysware Shenglong Information Systems Co., Ltd.	2007.10.16	Shanghai, China	USD5,000	Research, development, and production of computer software and hardware, sales of self-manufactured products, technical consulting services, technical services, training and transfer.
System Group (China) Ltd.	2012.09.28	Shanghai, China	USD10,000	Business management and consulting services, market management and sales services, financial management services for fund operations etc.
System Rainbow Tech Inc.	2001.03.16	Guangzhou, China	RMB50,000	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
System Ucom (Shanghai) Information Co., Ltd.	2015.01.13	Shanghai, China	RMB2,000	IT software services, IT software wholesale, IT software retail.
System Rainbow (Guangzhou) Tech Inc.	2018.08.31	Guangzhou, China	RMB1,250	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
System Information (H.K.) Ltd.	1999.12.02	Hong Kong	HKD 197,348	Sales of computers and peripherals.
Rainbow Tech Information (HK) Ltd.	2012.04.26	Hong Kong	HKD25,340	Sales of computers and peripherals.
Sysware Singapore Pte. Ltd.	2003.03.31	Singapore	SGD2,769	Computer information integration services, computer software.
Ching Pu Investment Corp.	1998.09.02	Taipei, Taiwan	150,000 (Note 3)	Investment.

## VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Share Capital	Business Activities
Golden Bridge Information Corp.	2011.08.25	Taipei, Taiwan	230,000	Investment.
Syscore Corp.	2017.10.25	Taipei, Taiwan	2,000,000	Investment.
Syslink Corp.	2018.03.29	Taipei, Taiwan	325,000	Investment.
Hanmore Investment Corp.	1989.04.21	Taipei, Taiwan	197,065	Investment.
Kimo.com (BVI) Corporation	1999.08.12	British Virgin Islands	USD10,500	Financial trust, shareholding and other investment businesses.
System Capital Group, Inc.	2000.02.23	British Virgin Islands	USD0.55	Financial trust, shareholding and other investment businesses.
System Solutions (HK) Ltd.	2011.10.03	Hong Kong	HKD 136,000	Financial trust, shareholding and other investment businesses.

Note 1: Capital increased by merged System Ucom (Shanghai) Information Co., Ltd. and after the capital increased, the capital is USD\$31,100 thousands.

Note 2: The Board of SYSTEM on March 22, 2018 approved the merger by System Information (Shanghai) Ltd., and dissolved on January, 2020.

Note 3: Capital increased by retained earnings of NT\$157,500 thousands in 9 April, 2020 and after the capital increased, the share capital is NT\$307,500 thousands.

## VIII. Special Disclosure

8.1.2 SYSTEX's Subsidiaries Chart (December 31, 2019): Please refer to page 175.

8.1.3 Shareholders in Common of SYSTEX and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.4 Rosters of Directors, Supervisors, and Presidents of SYSTEX's Subsidiaries :

As of December 31, 2019

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding)
Taifon Computer Co., Ltd.	Chairman & President	SYSTEX Corp. Rep.: Yang, Yun-Chang	20,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Director	SYSTEX Corp. Rep.: Liu, Kuan-Lin		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Systex Solutions Corp.	Chairman	SYSTEX Corp. Rep.: Lee, Chien-Lung	26,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	President	Lin, Wen-Kuei	-	-
Concord System Management Corp.	Chairman & President	SYSTEX Corp. Rep.: Tao, Ya-Kuang	23,113,372	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Systex Software & Service Corp.	Chairman	SYSTEX Corp. Rep.: Lin, Lung-Fen	54,450,000	100.00%
	Director & President	SYSTEX Corp. Rep.: Lee, Su-Yue		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
SoftMobile Technology Corp.	Chairman	Golden Bridge Information Corp. Rep.: Wu, Wen-Shun	3,661,875	100.00%

## VIII. Special Disclosure

	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Director	Golden Bridge Information Corp. Rep.: Fan, Jee-Der		
	Supervisor	Golden Bridge Information Corp. Rep.: Chung, Chih-Chun		
	President	Huang, Feng-Lin	-	-
Nexsys Corp.	Chairman	SYSTEX Corp. Rep.: Pan, Tieh-I	19,995,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Yang, Shih-Chung		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	President	Chung, Cheng-Wen	-	-
Naturint Ltd.	Chairman & President	SYSTEX Corp. Rep.: Fan, Jee-Der	2,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Hsieh, Shu-Heng		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Smartsys Technology Corp.	Chairman	Syslink Corp. Rep.: Lin, Lung-Fen	200,000	100.00%
	Director	Syslink Corp. Rep.: Liu, Kuan-Lin		
	Director	Syslink Corp. Rep.: Lin, Cheng-hsuan		
	Supervisor	Syslink Corp. Rep.: Cheng, Yuan-Yih		
Syswiser Technology Corp.	Chairman	Syslink Corp. Rep.: Lin, Lung-Fen	200,000	100.00%
	Director	Syslink Corp. Rep.: Liu, Kuan-Lin		
	Director	Syslink Corp. Rep.: Chan, Yi-Cheng		
	Supervisor	Syslink Corp. Rep.: Cheng, Yuan-Yih		
Top Information Technologies Co., Ltd.	Chairman	Concord System Management Corp. Rep.: Fan, Jee-Der	17,816,000	98.98%

## VIII. Special Disclosure

	Director & President	Concord System Management Corp. Rep.: Tao, Ya-Kuang		
	Director	Concord System Management Corp. Rep.: Liu, Kuan-Lin		
	Supervisor	Cheng, Yuan-Yih	-	-
ETU Corp.	Chairman	SYSTEX Corp. Rep.: Lin, Lung-Fen	9,682,000	84.19%
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Director	SYSTEX Corp. Rep.: Hsieh, Ming-Shu		
	Supervisor	Chung, Chih-Chun	-	-
Syspower Corp.	Chairman	Golden Bridge Information Corp. Rep.: Fan, Jee-Der	8,481,884	42.41%
	Director & President	Golden Bridge Information Corp. Rep.: Chen, Kuo-Chen		
	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Ching Pu Investment Corp. Rep.: Cheng, Yuan-Yih	7,432,586	37.16%
Taiwan Electronic Data Processing Corp.	Chairman	Ching Pu Investment Corp. Rep.: Lin, Lung-Fen	2,698,643	69.59%
	Director	Ching Pu Investment Corp. Rep.: Fan, Jee-Der		
	Director	Ching Pu Investment Corp. Rep.: Cheng, Yuan-Yih		
	Supervisor	Chung, Chih-Chun	-	-
	President	Chen, Kuo-Chen	-	-
System Information (Shanghai) Ltd.	Executive Director	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou	(Investment) USD16,300,000	100.00%
	Supervisor	Kimo.com (BVI) Corp. Rep.: Chang, Mei-Yi	(Note 1)	
	President	Tan, Chien-Jung	-	
Ucom Information Ltd. (Shanghai) (Note 2)	Chairman	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	(Investment) USD14,800,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Li, Jing		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou		



## VIII. Special Disclosure

Sysware Shenglong Information Systems Co., Ltd.	Executive Director	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou	(Investment) USD5,000,000	100.00%
	Supervisor	Kimo.com (BVI) Corp. Rep.: Chang, Mei-Yi		
	President	Chien, Shih-Feng	-	-
Systex Group (China) Ltd.	Executive Director	Systex Information (H.K.) Ltd. Rep.: Lin, Wen-Chou	(Investment) USD10,000,000	100.00%
	Supervisor	Systex Information (H.K.) Ltd. Rep.: Chang, Mei-Yi		
Systex Rainbow Tech Inc.	Executive Director	Systek Information (Shanghai) Ltd. Rep.: Lin, Wen-Chou	(Investment) RMB50,000,000	90.00% (Note 3)
	Supervisor	Systek Information (Shanghai) Ltd. Rep.: Chang, Mei-Yi		
Systex Ucom (Shanghai) Information Co., Ltd.	Executive Director	Systex Group (China) Ltd. Rep.: Li, Jing	(Investment) RMB2,000,000	100.00%
	Supervisor	Systex Group (China) Ltd. Rep.: Zhong, Qian-Fen		
Systex Rainbow (Guangzhou) Tech Inc.	Director & President	Systex Rainbow Tech Inc. Rep.: Yu, Can-Xiong	(Investment) RMB500,000	40%
	Director	Systex Rainbow Tech Inc. Rep.: Tan, Chien-Jung		
	Director	Systex Ucom (Shanghai) Information Co., Ltd. Rep.: Yen, Jung-Chung	(Investment) RMB750,000	60%
	Supervisor	Systex Ucom (Shanghai) Information Co., Ltd. Rep.: Lin, Wen-Chou		
Systex Information (H.K.) Ltd.	Chairman	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	197,348,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Hu, Hsiao-Tung		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou		
Rainbow Tech Information (HK) Ltd.	Director	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	25,340,000	100.00%
Sysware Singapore Pte. Ltd.	Chairman	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen	2,769,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Lin, Tsung-Ying		
	Director	Kimo.com (BVI) Corp. Rep.: Chek Khai Juat		
Ching Pu Investment Corp.	Chairman	SYSTEX Corp. Rep.: Huang, Tsong-Jen	15,000,000	100.00 %

## VIII. Special Disclosure

	Director & President	SYSTEX Corp. Rep.: Lin, Lung-Fen	(Note 4)	
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Golden Bridge Information Corp.	Chairman & President	SYSTEX Corp. Rep.: Lin, Lung-Fen	23,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Syscore Corp.	Chairman	Kimo.com (BVI) Corp. Rep.: Chung, Chih-Chun	100,000,000	50.00%
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Pei-Fen		
	Supervisor	Systex Capital Group, Inc. Rep.: Cheng, Yuan-Yih	100,000,000	50.00%
Syslink Corp.	Chairman	Syscore Corp. Rep.: Lin, Lung-Fen	32,500,000	100.00%
	Director	Syscore Corp. Rep.: Liu, Kuan-Lin		
	Director	Syscore Corp. Rep.: Tang, Yin-Soon		
	Supervisor	Syscore Corp. Rep.: Chung, Chih-Chun		
Hanmore Investment Corp.	Chairman & President	Joray Co., Ltd. Rep.: Wu, Cheng-Huan	18,768	0.10%
	Director	Joray Co., Ltd. Rep.: Lin, Chih-Min		
	Director	SYSTEX Corp. Rep.: Cheng, Yuan-Yih	9,640,680	48.92%
	Supervisor	Chung, Chih-Chun	-	-
Kimo.com (BVI) Corp.	Director	SYSTEX Corp. Rep.: Huang, Tsong-Jen	10,500,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
Systex Capital Group, Inc.	Director	SYSTEX Corp. Rep.: Huang, Tsong-Jen	550	100.00%

## VIII. Special Disclosure

	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
System Solutions (HK) Ltd.	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen	136,000,000	100.00%
	Director	Kimo.com (BVI) Corp. Rep.: Chung, Chih-Chun		

Note 1: Capital increased by merged System Ucom (Shanghai) Information Co., Ltd. and after the capital increased, the capital is USD\$31,100 thousands.

Note 2: The Board of SYSTEX on March 22, 2018 approved the merger by System Information (Shanghai) Ltd., and dissolved on January, 2020.

Note 3: At first, System Information (Shanghai) Ltd. and System Ucom (Shanghai) Information Co., Ltd invested in 90% and 10%. Because of System Ucom (Shanghai) Information Co., Ltd. merged by System Information (Shanghai) Ltd. and dissolved. Now, System Information (Shanghai) Ltd invested in System Rainbow Tech Inc. 100%.

Note 4: Capital increased by retained earnings of NT\$157,500 thousands in 9 April, 2020 and after the capital increased, the share capital is NT\$307,500 thousands.

## VIII. Special Disclosure

### 8.1.5 Operational Highlights of SYSTEX's Subsidiaries

Unit: NT\$ thousands, except EPS (\$) As of December 31, 2019

Company	Share Capital	Assets	Liabilities	Net Book Value	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Taifon Computer Co., Ltd.	200,000	490,050	235,328	254,812	564,188	15,046	12,823	0.64
Systex Solutions Corp.	260,000	856,712	525,229	331,483	1,287,560	78,018	63,069	2.43
Concord System Management Corp.	231,134	602,667	262,023	340,644	964,360	17,566	29,547	1.28
Systex Software & Service Corp.	544,500	2,795,522	1,890,776	904,746	6,490,508	340,616	273,002	5.01
SoftMobile Technology Corp.	36,619	60,057	20,459	39,598	88,058	(1,280)	(891)	(0.24)
Nexsys Corp.	199,950	455,071	109,645	345,426	423,119	75,648	61,167	3.06
Naturint Ltd.	20,000	23,528	2,081	21,447	9,600	(304)	(212)	(0.11)
Smartsys Technology Corp.	2,000	1,995	0	1,995	0	(98)	(89)	(0.45)
Syswiser Technology Corp.	2,000	1,962	0	1,962	0	(109)	(100)	(0.50)
Top Information Technologies Co., Ltd.	180,000	524,777	358,527	166,250	787,640	47,013	42,334	2.35
ETU Corp.	115,000	5,957	210	5,747	55	(708)	(680)	(0.06)
Syspower Corp.	200,000	757,741	342,426	415,315	685,404	50,221	43,340	2.17
Taiwan Electronic Data Processing Corp.	38,780	38,251	5,343	32,908	1,068	(1,549)	(5,872)	(1.51)
Systek Information (Shanghai) Ltd.	558,795	356,399	87,452	268,947	67,525	(16,770)	12,862	-
Ucom Information Ltd. (Shanghai)	498,641	140,356	(3,655)	144,011	0	8,883	10,647	-
Sysware Shenglong Information Systems Co., Ltd.	166,651	89,897	10,357	79,540	53,633	25,081	26,943	-
Systex Group (China) Ltd.	282,177	1,373,962	1,269,496	104,466	2,754,675	(122,275)	(132,495)	-

## VIII. Special Disclosure

Company	Share Capital	Assets	Liabilities	Net Book Value	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Systex Rainbow Tech Inc.	233,765	702,894	468,731	234,163	1,103,863	21,622	15,571	-
Systex Ucom (Shanghai) Information Co., Ltd.	8,951	98,919	81,708	17,211	383,668	7,871	8,722	-
Systex Rainbow (Guangzhou) Tech Inc.	5,594	14,311	9,218	5,093	12,454	(241)	(290)	-
Systex Information (H.K.) Ltd.	773,802	776,944	248,885	528,059	1,386,168	211	(322,185)	-
Rainbow Tech Information (HK) Ltd.	99,358	168,928	47,182	121,746	370,822	18,912	16,003	-
Sysware Singapore Pte. Ltd.	62,247	223	28,483	(28,260)	0	299	(27)	-
Ching Pu Investment Corp.	150,000	1,273,785	4,032	1,269,753	0	(584)	115,240	7.68
Golden Bridge Information Corp.	230,000	261,532	175	261,357	0	(155)	17,480	0.76
Syscore Corp.	2,000,000	2,135,305	2,818	2,132,487	0	(283)	102,544	0.51
Syslink Corp.	325,000	253,075	0	253,075	0	(148)	(49,045)	(1.51)
Hanmore Investment Corp.	197,065	1,633,429	3,023	1,630,406	0	(3,740)	76,393	3.88
Kimo.com (BVI) Corp.	322,508	4,153,309	3,643	4,149,666	0	(9,829)	1,210,369	-
Systex Capital Group, Inc.	17	2,231,852	385	2,231,467	0	(578)	180,547	-
Systex Solutions (HK) Ltd.	533,256	1,902,340	218,526	1,683,814	0	(403)	1,418,846	-

8.1.6 Subsidiaries' Consolidated Financial Statements: Please refer to pages 110-176.

8.2 Private Placement Securities in the Most Recent Years: N/A

## VIII. Special Disclosure

### 8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Unit: NT\$ thousands : shares : %

Name of Subsidiary	Paid-in Capital	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of the printing date of this annual report (Note1)	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Hanmore Investment Corp.	NT\$ 197,065 thousands	N/A	48.9%	-	-	-	-	21,316,678 shares NT\$1,568,908 thousands	5 million shares (Note 2)	-	-
Ching Pu Investment Corp.	NT\$ 307,500 thousands	N/A	100.0%	2019.03.08 I 2019.05.31	-	2,000,000 shares NT\$141,459 thousands	NT\$94,240 thousands (Note 3)	10,981,476 shares NT\$808,237 thousands	-	-	-

Note 1: The amount held is the fair market value as of March 31, 2020

Note 2: Hanmore Investment Corp. pledged 5 million of the Company's shares as collateral; the pledge does not affect the Company's financial performance or financial status.

Note 3: Investment Gain (Loss) didn't include "Unrealized gain/(loss) on investments in equity instruments at fair value through other comprehensive income" as the disposal of the parent company's shares is transferred to "Accumulated profit (loss)" of NT\$4,566 thousands.

8.4 Other Necessary Supplement: None.

8.5 Any Events in 2019 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

## **SYSTEX CORPORATION**

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### Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.